THE MAGAZINE OF WALL STREET

MARCH 21, 1931

Market Reactions and Investment Opportunities

By A. T. MILLER

●

Business Sentiment Flouts Statistics

By JOHN C. CRESSWILL

●

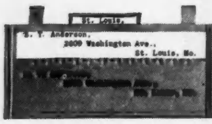
What's Wrong With the Oils?

By MORRIS ROBERTS

C. G. Wyckoff
PUBLISHER

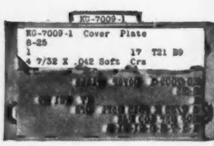
VOL. 47 – No. 11

PRICE 35 CENTS

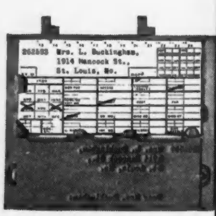


Fundamental records of prospects, dealers, salesmen, members, subscribers, tax payers, customers.

Fundamental records of employees with related data, such as clock numbers, rates, salaries, etc.



Fundamental data or informative record of materials, parts, specifications, formulae, etc.



Fundamental customer records providing space for day to day notations of purchases.

Let's lift the lid of business

and see the modern way of keeping and writing records

The proper keeping and writing of records is essential to the success of every business concern, large or small. To be of greatest value to the business the records should be permanent, accessible, and in quick-usable form.

Addressograph provides the best, the most modern method not only for keeping, but also for writing records accurately, speedily, and at low cost.

With Addressograph methods your fundamental business records such as records of customers, prospects, employees, materials, etc., are permanently recorded, easily accessible for reference and readily usable. The data is mechanically transcribed, imprinting at high speed your routine business forms such as ledger sheets, statements, collection notices, orders, checks, stock records, sales letters, circulars, in fact, all your business forms.

The Addressograph illustrated is the new, low-priced, all purpose, electric model, which mechanically transcribes fundamental business records at high speed—$185 at factory. There are also hand operated models and super-speed automatic models from $42.50 to $12,000.

In the handling of direct mail and sales promotional literature . . . in addition to the numerous record keeping and writing jobs it performs . . . the Addressograph has been for years standard equipment. As a sales and profit builder it has an unequalled record of accomplishment.

A representative in your vicinity will gladly demonstrate the economy of Addressograph and explain its application to your business. There are Addressograph models for every size and kind of business from small hand machines, as low as $42.50, to the high speed automatics.

ADDRESSOGRAPH COMPANY

General Offices: 901 West Van Buren Street, Chicago, U. S. A. . . . Canadian General Offices: Addressograph Co., Limited, Toronto, Ontario
European General Offices: Addressograph, Limited, London N. W. 10.
Speedaumat Manufacturing Co., Chicago
Divisions of
Addressograph International Corporation
Factories: Chicago, Toronto, London, Berlin, Paris.
Sales and service agencies in the principal cities of the world.

Addressograph
TRADE MARK
PRINTS FROM TYPE

Member of the Audit Bureau of Circulations

CONTENTS

Vol. 47 No. 11 March 21, 1931

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, and the Investment and Business Forecast, issued weekly

Copyright and published by the Ticker Publishing Co., Inc., 42 Broadway, New York, N. Y. C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. W. Sheridan Kane, Secretary. Lael Von Elm, Business Manager. Thomas F. Blissert, Financial Advertising Manager. George K. Myers, Director of General Advertising. The information herein is obtained from reliable sources and while not guaranteed, we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

ADVERTISING REPRESENTATIVES—Atlanta, A. E. Christoffeers, Walton Building; Pacific Coast, Simpson-Reilly, Union Oil Bldg., Los Angeles; Russ Building, San Francisco.

SUBSCRIPTION PRICE $7.50 a year in advance. Foreign subscribers please send International money order for U. S. Currency, including $1.00 extra for postage (Canadian 50 cents extra).

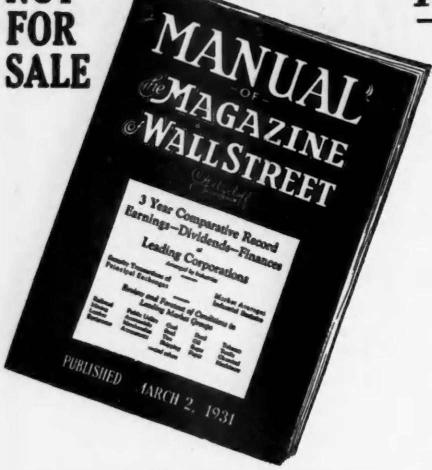
TO CHANGE ADDRESS—Write us name and old address in full, new address in full, and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—The International News Company, Ltd., Breams Building, London, E. C. 4, England.

Cable address: Tickerpub.

This Offer Good for 10 Days Only

NOT FOR SALE



Just Off the Press

Free with Yearly Magazine Subscriptions

- - To Invest Successfully in 1931
- - You Must Act On Facts

To give you immediately the status of the various industries and the situation of each individual company as well as an analysis of the economic and business outlook—

THE MAGAZINE OF WALL STREET
Offers Its Ninth Annual

MANUAL

A Year Book of Financial, Industrial, Security and Economic Facts

A most complete and helpful Manual prepared in a unique style, that saves your time and yet gives you complete information on every important industry and security

Yearly Magazine Subscribers Can Get This Volume FREE

A Three-Year Record

OUR 1931 Manual published on March 2, 1931, gives you a complete statistical record for the past three years of all the leading companies in every important industry in addition to high, low and last prices for 1930.

By giving a three-year record of security prices and industrial development the Manual makes it possible for you to study the growth or decline of the companies and industries listed during a boom year (1928) the turning point year (1929) and a depression year (1930). Such a study makes it possible to determine the probable reaction of companies in which you are interested to any conditions which may develop during 1931.

The financial position of all leading companies showing the ratio of assets to liabilities, the net working capital, etc., is included. This is a very valuable feature in view of prevailing conditions. Among other important features are:

MARKETS—

Analysis of the Stock Market for 1930 with 1931 Outlook.

By the Industrial and Security Experts of The Magazine of Wall Street.

Comparison of earnings of all leading companies for several years past.
New Stock Listings.
Stock Market Prices 1928-1930.
Over-the-Counter Prices.
Curb Market Prices.

BONDS—

Bond Market Prices for 1930.
Analysis of Bond Market for 1930.
Bond Financing.
Unlisted Bonds.
Curb Bonds.

DOMESTIC TRADE AND BUSINESS—

Analysis of the Business Situation from the standpoint of recent events and prospective trend.

Money and Finance.
Commodities—Including Graphs Indicating Price Trend.
Record of Production in Leading Commodities and new production trend.
Corporation and Government Financing in 1930 and prospect for 1931.
New Industries.
Important Issues in new Foreign Financing.

SECURITIES—

3 years' Earning record—present Financial Position. Illustrated with Charts and Tables.

Railroads	**Mail Order**	**Machinery**	**Oil**	**Shipping**
Public Utilities	**Automobiles**	**Textiles**	**Tires**	**Tobacco**
Food and Packing	**Accessories**	**Mining**	**Paper**	**Radio and Communication**
Investment Trusts	**Chemicals**	**Steel**	**Sugar**	
Chain Stores	**Leather**	**Coal**		

One hundred tables and charts illustrating basic conditions in important industries and fully detailed tables giving leading companies' earnings, financial position, etc., over a period of years. Practically every company of importance whether listed or unlisted is included. The data gives the investor a complete record of the growth or decline of practically every leading corporation, which will enable him to determine the real trend of the company's affairs.

The Manual of The Magazine of Wall Street gives the latest obtainable official, semi-official, or other authoritative data regarding the complete year's operations in all industries, and the principal corporations. It is broader and more comprehensive than ever before.

This valuable volume will be sent *FREE*, providing you send in your subscription to The Magazine of Wall Street for one year, using Special Coupon below.

Mail This Coupon Today

The MAGAZINE OF WALL STREET — **SPECIAL FREE Manual Offer**
42 Broadway, New York City.

I enclose $7.50. Send me THE MAGAZINE OF WALL STREET for one year (26 issues), beginning with the next issue, including full privileges of your Personal Service Department. It is understood I am also to receive free:

The Magazine of Wall Street Manual, issued March 2, 1931

Name .... Address ....

Publisher's Note:—If you are already a subscriber, your subscription will be extended from present date of expiration.
Canadian Postage 50 cents Extra; Foreign $1.00 Extra. March 21-M

WITH THE EDITORS

Sailing With the Trend

"HOW can the trend be upward with the market going down?" we recently heard an irate individual ask a customers' man. The question seems fair enough, but like most misunderstandings, it arises more from a difference in the use and meaning of a term than any real contradiction in fact.

A trend is a general inclination and indicates a tendency towards higher or lower levels. But it is not only a possibility but a common experience to witness an intermediate declining trend in a fundamentally upward market, or conversely an upturn in a market that is generally seeking lower levels. Of course this is true of the commodity markets as well as the stock market, and even of the trend of industries. For instance an industry in which conditions are generally making for more and more unfavorable conditions may experience a temporary wave of activity from seasonal causes, without improvement in its longer range prospects.

The reason for seemingly contradictory movements of this type in either prices or industries lies in the fact that several trends of varying duration can run concurrently, but not necessarily in the same direction.

Fundamental conditions in any market may well establish a long range trend in either an upward or a downward direction, but more immediate factors may apparently interrupt this course by one or more minor trends of opposite tendency. Generally speaking, the stock market declined from September, 1929, to the end of 1930. Taking this as the major trend we nevertheless find an intermediate uptrend extending throughout the first four months of last year, and even this move was interrupted by minor reactions and rallies, just as the decline from April to December saw brief swings upward in May, July and early September. None of these minor movements, however, were taken to mean a reversal of the major trend.

The whole problem of trends is not unlike the action of the ocean in which the tides represent the great mass movements of water, the waves the intermediate moves and the ripples the minor rallies and recessions.

When we sail we give considerable attention to the tides. The character of the waves on the other hand may make an alteration of speed necessary, or add to or lessen the comforts of a trip, but without necessitating a fundamental change of course. The ripples we disregard. It seems as though we might adopt a similar attitude in our investment sailing, with both understanding and profit.

In the Next Issue

What Are the Prospects of a Building Boom?

Building is one of the greatest consuming industries and exerts a profound influence on general business. A revival in response to the need for dwellings in many parts of the country would be an important factor in business recovery—What are the prospects? This article will include the views of several authorities in the building industry and real estate field as well as the unbiased opinion of bankers and observers in various sections of the country.

Announcing Two New Investment Features

The first appearing in the April 4 issue and the second in the issue of April 18:

Low Priced Dividend Payers

Stocks of strong companies with favorable prospects which are yet in our opinion thoroughly deflated. They offer a fair rate of return and have prospects of advancing value.

Low Priced Non-Dividend Payers

These are issues which are believed depressed below the value represented by their earning position and prospects. They are the type which can be acquired and held for market appreciation over a reasonable term.

An Appraisal of Trade and Industry at the End of the First Quarter

Where does business really stand? Are its gains more than seasonal and what of the future?

$50,000,000

The Pennsylvania Railroad Company

General Mortgage 4¼% Gold Bonds, Series "D"

Due April 1, 1981.

Coupon bonds in denomination of $1,000 registerable as to principal and exchangeable for fully registered bonds and reexchangeable under conditions provided in the indenture. Interest payable April 1 and October 1. Not redeemable before maturity.

GIRARD TRUST COMPANY, Philadelphia, Corporate Trustee.

In the opinion of counsel these bonds are legal investments for savings banks under the laws of New York, New Jersey, California, Massachusetts, Michigan, Connecticut, Minnesota and other States.

The issuance and sale of these Bonds are subject to the approval of the Interstate Commerce Commission.

For further information regarding the Company and this issue of Bonds, reference is made to a letter dated March 9, 1931, from W. W. Atterbury, Esq., President of The Pennsylvania Railroad Company, copies of which may be obtained from the undersigned, and from which the following is quoted:

"These Bonds will be issued under the General Mortgage of the Company dated June 1, 1915, to Girard Trust Company, Philadelphia, and William N. Ely, Trustees. The General Mortgage is, in the opinion of counsel, a lien (subject to $125,541,811 of prior liens which may not be renewed or extended and for the retirement of which, at or before maturity, General Mortgage Bonds are reserved, and to certain equipment trust obligations) on all the lines of railroad and important leaseholds owned by the Company at the date of the mortgage, and upon all appurtenances thereof and equipment used in connection therewith, whether then owned or thereafter acquired, and upon all property thereafter acquired by the use of any of the General Mortgage Bonds or their proceeds. The property covered by the General Mortgage includes the main line of The Pennsylvania Railroad Company extending from Pittsburgh to Harrisburg, Pa., and from Harrisburg to Philadelphia and valuable terminal properties in Philadelphia, Pittsburgh and Harrisburg.

The amount of the General Mortgage Bonds at any one time outstanding, including bonds at the time reserved to retire prior debt, may not exceed the aggregate par value of the then outstanding paid up capital stock of the Company.

The Pennsylvania Railroad Company now has outstanding paid-up capital stock of $655,585,000 par value, having a present market value of approximately $786,000,000. Dividends on this stock are now being paid at the rate of 8% per annum and in no year since 1847 has the Company failed to pay cash dividends on its outstanding stock.

The proceeds of the $50,000,000 Bonds which you have agreed to purchase will be used to reimburse the treasury of the Company for the construction of necessary additions, betterments and improvements to and upon the property of the Company covered by the mortgage.

The gross income of The Pennsylvania Railroad Company for the year ended December 31, 1930, applicable to the payment of fixed charges, amounted to $154,840,000, while interest on indebtedness, rentals, sinking funds and other fixed and miscellaneous charges amounted to $83,458,000, leaving a net income of $71,382,000 before Federal Income Taxes.

There will be outstanding in the hands of the public, after the present issue, $125,000,000 Series "A" 4½% Bonds, due June 1, 1965, $50,000,000 Series "B" 5% Bonds, due December 1, 1968, and $50,000,000 Series "D" 4% Bonds, due April 1, 1981. $60,000,000 of Series "C" 6% Bonds, due April 1, 1970, are pledged under the Indenture securing the Company's Fifteen-Year Secured 6½% Gold Bonds, due February 1, 1936. $125,541,811 Bonds are reserved to retire a like amount of prior lien bonds and the remainder is issuable, under the restrictions stated in the mortgage, for the payment, refunding or retirement of General Mortgage Bonds outstanding, for the acquisition of additional property, for additions, betterments and improvements, for equipment or the refunding of equipment obligations to the extent of 90% of the cost of such equipment or the principal amount of such obligations, and for the acquisition of other corporations' securities.

Application will be made in due course to list these Bonds on the New York Stock Exchange."

THE UNDERSIGNED WILL RECEIVE SUBSCRIPTIONS FOR THE ABOVE BONDS, SUBJECT TO ALLOTMENT, AT 96½% AND ACCRUED INTEREST TO DATE OF DELIVERY, TO YIELD OVER 4.42% TO MATURITY.

The undersigned reserve the right to close the subscription at any time without notice, to reject any application, to allot a smaller amount than applied for and to make allotments in their uncontrolled discretion.

The above bonds are offered if, when and as issued and received by the undersigned and subject to the approval by the Interstate Commerce Commission of the issuance of the bonds and their sale to the undersigned and to approval by their counsel of all legal proceedings in connection therewith. Temporary bonds will be delivered against payment in New York funds for bonds allotted, which temporary bonds will be exchangeable for definitive bonds when prepared.

Kuhn, Loeb & Co.

New York, March 10, 1931.

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

One Prophet Foresaw—Overproduction Only in Spots—Buying Their Own Stock—Comparing Dollar Values—The French Croesus Loosens Up—The Market Prospect

ONE PROPHET FORESAW

FEW observers saw any parallelism between the inflation of 1919-20 and that of 1928-29. The reason is that one was a commodity boom and the other a securities boom. But there were some prophets in the wilderness who saw the gravity of the situation. In his annual reports to the stockholders of the International Acceptance Bank two years ago, Paul M. Warburg, chairman of the board, pointed out that both were periods of abnormal inflation, the first being brought about by governmental inflation in carrying on the war and the second by private speculation. He remarked that at that time the market value of stocks had almost doubled in two years, an accretion of $15 billions, rarely proportionately related at any point to accretions in plant, property or earning power. To illustrate the proportions of this increase Mr. Warburg remarked that the total annual value of the nation's cotton, corn and wheat crops was only $4,000,000,000—and yet the bulge he cited was but a part of the general inflation. He scoffed at the argument that intrinsic values had increased in proportion to stock prices and declared that unless speculation was checked it "would bring about a depression involving the whole country." Mr. Warburg's prophetic vision suggests the probability that the country can return to a large degree of commercial prosperity without anything like such a height of general prices, either in commodities or in the stock market, as we had in 1929.

OVERPRODUCTION ONLY IN SPOTS

WE produce $90 billions of wealth a year and we have more than 120 million people. That means that we can consume only $750 per capita. Nobody would say that was overproduction in this day and age. And it isn't. The trouble is that in the long run each of us buys with what he produces. If we belong to the automobile group and we produce five million automobiles we may have a sorry time trying to get other people to take that many machines off our hands, particularly if many groups of them have made too much of what we don't want and too little of what we do want. We can't trade because we haven't what each other wants. Now if we could produce separately so that the blocks of production could fit into a mosaic of just what we want and what others want there

is practically no limit to absorbable production. But we can't—now or ever—if for no other reason than that it is desire that generates value and wealth—and what is more fickle? And yet we must hope that within certain broad limits we shall avoid excesses of particular production. One way to do that is to check the restless ambition for growth. If we were to get rid of the insatiate will to make each year a record year we would be rid of much of the danger of so-called over-production. But America is young—and can you ask the young to forsake adventure?

BUYING THEIR OWN STOCK

A STRONG cash position, and low market prices have apparently made it possible for a large number of corporations to purchase their own stock. Many annual reports reveal such a tendency with some notable reductions in floating supply which is precisely the opposite of the practice common to the inflation period in 1928 and 1929. Nor have purchases for retirement or treasury account been confined to senior issues, but low levels have permitted an easy acquisition of common shares, in some cases as much as 10 or 15% being bought in the open market. The effects of such procedure is interesting and not without significance in market influence. While in some cases stock so acquired has been offered to employes at favorable terms or used for merger purchases as in the case of Bethlehem Steel which employed its share purchased in the open market in its consolidation with McClintock Marshall, in other cases the stock has been arbitrarily cancelled. This of course has decreased the floating supply, increased the equity of other shareholders and enhanced the earning position per share. For such reasons the practice has found increasing favor among investment trusts and probably will continue so long as the current spread obtains between break-up and market value of their shares. Market-wise the most important effect of any type of a corporation's purchase of its own stock is the reduction of floating supply. Coming at a time when considerable stock has already been taken from the market by institutional and long range investment buying, the reduction in the available supply has a marked tendency to increase the susceptibility of the stock to market action. It tends to re-establish the well-known scarcity value of 1929 bull market fame and may be an important factor in speeding recovery from deflated levels where basic conditions justify.

COMPARING DOLLAR VALUES

"CONSUMER purchasing is increasing and has been steadily upward since the Fall of 1930. The reason it has not shown in retail sales is because comparisons have been made in terms of dollar-sales between periods in which the purchasing power of the dollar varied as much as 15%." So says John Guernsey in his article on New Mass Distribution Must Rescue Mass Production which appears on page 680 of this issue. And his logic may be used to equal advantage in other fields. We must accustom ourselves to viewing investment yields and corporate earnings in terms of today's dollar rather than to continue to judge by the dollar of 1928 or 1929. A recent compilation of leading companies in all important industries showed that only two groups in 1930 were ahead of 1929 on a dollar per share basis. This is no real comparison. A goodly number of companies and certainly more than two industries exceeded 1929 on an actual volume of business done. If the dollar value of these groups were measured by comparable standards of purchase power they would appear in their true light. Admittedly things are none too rosy but let us not deceive ourselves by making them appear worse than they are.

THE FRENCH CROESUS LOOSENS UP

AS the hoard of gold has piled up in the vaults of the Bank of France it has tickled national pride and at the same time aroused apprehension of inflation. The pride has not been altogether vain, for that two-billion dollar hoard has done as much to strengthen the potency of France as the respect its army inspires. But stationary or mounting prices in France whilst all the rest of the world is sliding downward to a new price level, have justified the apprehension. The gold was proving to be too much of a good thing, but the French were reluctant to lend to neighbors who might stage a revolution or turn foe. The way out has been found in a high-grade species of international gratuity. Italy has suddenly found it convenient to come down from its naval-building high horse, and immediately there is announcement of the probability that France and the United States will float a large Italian loan. With French francs to rattle in his strong box Mussolini will rattle the saber no more. A small amount was lent to the German state railways, which if nationalistic sentiment will stand it, will probably be the precursor of other loans to Germany. Now Roumania has been allowed to tap the French treasury for $50,000,000, a part of which flotation is to be passed on to American bankers, and there is talk of financial assistance to England. Moreover, British financiers are dwelling on what a nice arrangement it would be if France would employ the world-wide banking and investment machinery of Britain to put out some of its superfluous gold to various eager borrowers the world around. Let France amass and Britain lend! In China's civil wars, silver bullets have frequently been found more efficacious than steel-capped projectiles. French gold may be a better servitor of French security and the peace of Europe than French seventy-fives.

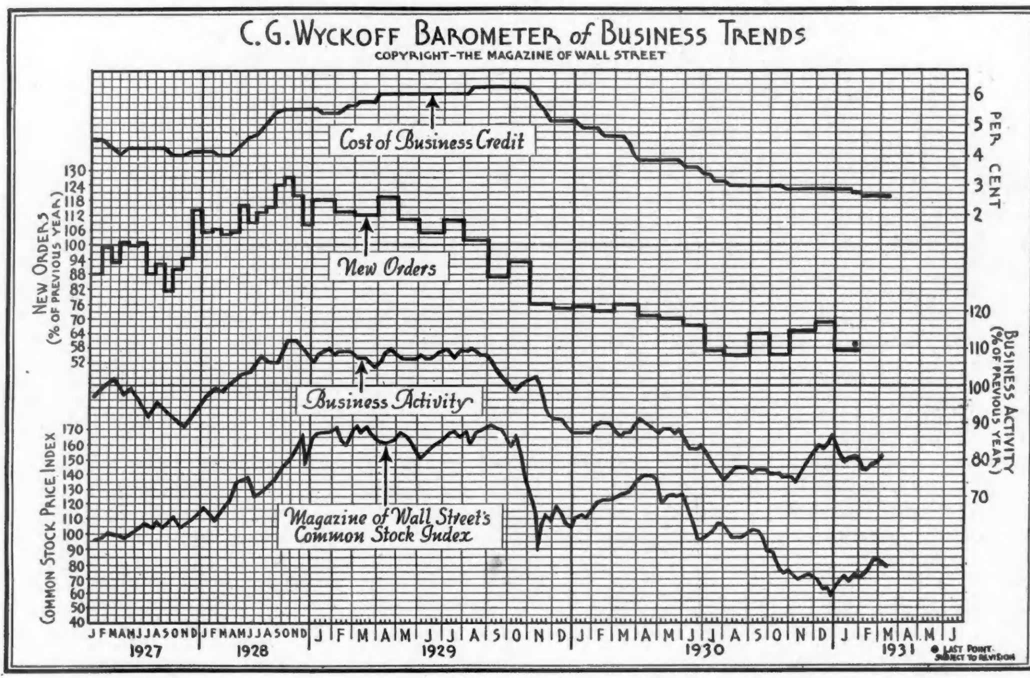
THE MARKET PROSPECT

THE current and prospective trend of the stock market is fully discussed on page 668. Readers are reminded that our latest market advices appear in every issue of the Market Prospect or in the leading market article.

Monday, March 16, 1931.

Taking the Pulse of Business

Long Range Trend More Favorable Than Immediate Prospect



THOUGH business news during the past fortnight has been of a rather mixed character, the net influence of recent developments upon the longer term outlook appears to be more favorable than otherwise. On the negative side we find profit-taking in the stock market instigated by a batch of poor annual reports and further dividend reductions. Bond prices, on the other hand, have held remarkably well in spite of large offerings of public and corporate issues, and in the face of reactionary tendencies in the stock market. The epidemic of bank failures has already cleared out most of the weak spots and seems to have about run its course. Final passage of a modified soldier bonus bill now finds the business community looking forward to benefits to be derived from setting these extra millions into circulation. Recent entrance of France and Italy into the five-power naval accord, followed by settlement of the political controversy between England and India, helps to pave the way for long term foreign loans to stimulate business recovery among our customers overseas.

Money rates continue easy and recently reported declines in new orders suggest the lack of heavy need for new short term funds. It is of course encouraging to note that last year's low records were not broken by the new order line, but the sharpness of the drop is nevertheless indicative of some delay in the revival of general business activity, although recent developments in important industries lead to the conviction that the fundamental long trend of business is upward. It is noteworthy that the rise in steel mill operations of recent weeks has been more rapid than last year. The cotton textile industry, with low inventories and cheap raw material, appears to be in exceptionally strong position and has, for at least four months, been gaining in activity at a much more than normal seasonal rate. March production schedules of leading automobile manufacturers point to an increase over February of more than seasonal magnitude. With three such important industries speeding up their output, it seems reasonable to expect that additional sums thus spent for material and labor will eventually find their way into other channels of business and gradually foster the slow general recovery that is looked for.

Market Reactions and Investment Opportunities

Business Improvement Essential to Further Market Advance

By A. T. Miller

IT is conceded by the most enthusiastic supporters of the present stock market advance, that the market has risen considerably higher than its base of corporate earning power. There is nothing particularly unusual in such performance, in fact it is quite characteristic of a normal change in market trend. Nevertheless, the advance has lifted the price level some 30 points or so above the average price structure which existed at the end of the past year, and created a "spread" between stock prices and intrinsic values, based on corporate earning power. It becomes a pertinent question whether the base of the market will move up to meet the price level or whether the price level will recede to correspond more nearly to its base.

In all probability, the spread will be closed up ultimately through some movement in each direction. That is to say, the base of the market will probably move up somewhat and in the meantime the price level of stocks will make the fine gesture of meeting fundamentals "half way." At the moment of this writing, however, there seems to be considerably more evidence to support the view that the price level will recede than that the levels of corporate earning power will make any rapid advance.

The advance of the market during the first quarter of the year, had all the earmarks of a technical "rebound from depression." The prices of stocks were so severely deflated over fifteen or sixteen months of a bear market that stocks rebounded far more vigorously than would have been the case otherwise. When the momentum of the long decline had spent itself, at the end of the year, a vigorous rebound of prices was entirely in order.

The buyer of stocks for long range retention usually requires a favorable trend in the underlying industrial situation before he makes his commitments. Reasons why patient buyers have prospects for more favorable investment levels in the not distant future are discussed comprehensively in this analysis of the current market.

Moreover, such a decided change in trend as was witnessed after the turn of the year was bound to have a marked effect upon the buying and selling practices of those who were participating in the market. Stockholders who were willing to throw over stocks at low prices in November and December out of fear, or the belief that even lower prices would be recorded, put off their liquidation when the trend changed. On the other hand, patient investors who were able to hold their stocks through the worst periods of the 1930 decline, took advantage of the improved price level in 1931 to dispose of stock. It is quite probable that these tendencies largely offset each other as far as the general public was concerned during the earlier stages of the advance.

Brokers' borrowings indicate no significant increase in the market activity of speculative customers. The collateral loans of reporting member banks have shown an actual decrease of approximately half a billion dollars since the beginning of the year, reflecting the liquidation of stocks by clients of these banks. So one could hardly account for the increase in trading volume on the stock exchange floor in terms of aggressive public participation.

Professional Sponsorship

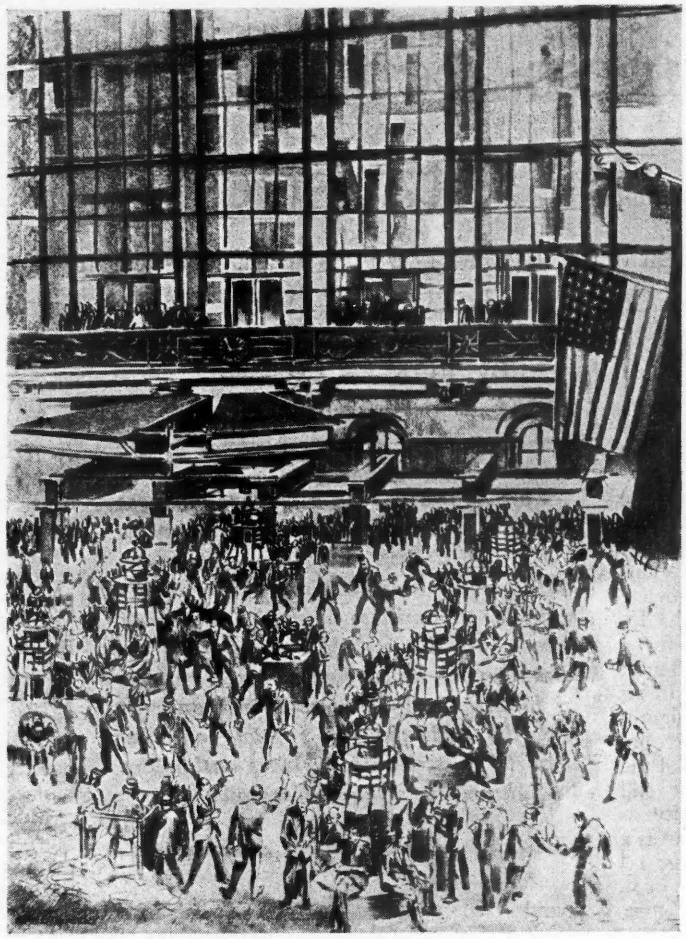
From whatever standpoint one analyzes the advance in the stock market since the beginning of the year, it seems pretty clear that this "rebound from the depression" was largely a matter of professional sponsorship. The full force of this technical movement in stock prices must be expected to spend itself, therefore, irrespective of improvement or lack of improvement in the underlying industrial situation. It has already carried the advance well up to the expectation of many of its earlier well-wishers and somewhat beyond the goal set by others.

Although, the sponsors have not been particularly successful in reviving public speculative interest, they have been favored in other respects. A large amount of investment capital has been waiting on the side lines for a favorable opportunity to acquire deflated stock equities. The setting was not particularly promising at the time the current rise started, and there is a good deal of reason to doubt whether the potential demand for cheap stocks for the longer range retention has been satisfied to any substantial degree. Intermediate recessions in individual stocks have found good bids for stocks underlying the market, which has prevented

any really severe reactionary movement from getting started even at periods when the market's technical strength was impaired by the rapidity of the advance.

Another factor was the much discussed short interest which existed prior to the advance and which has been partially sustained by professional and amateur traders feeling for the "top" of each forward movement in the advance. Sentiment has improved both in the financial district and throughout the business world as well. The adjournment of Congress has ended for most of the year, the threatening gestures both to business and to the security markets. The longer a price advance is sustained, the more postponed investment buying is likely to filter into the market.

All of these factors in the aggregate have been of considerable assistance to the sponsors of the rise. Many of them are still effective influences—at least enough so to make it extremely hazardous for one to attempt to predict the exact moment when the reaction that seems to be in store for the market will actually materialize.



By Golinken, Courtesy Wm. B. Cox Galleries

The Floor of the New York Stock Exchange at the Close of a Busy Day

Changing Character

On the other hand, the character of the market has changed noticeably in the most recent stages of the advance. Considerable irregularity has developed in the day-to-day trading; several important groups of stocks such as the rails, metals and coppers have assumed a positively backward action and the once important motor group has failed to show marketwise the proper response to the vigorously publicized items of improvement in the industry. The general market which for two months was a consistently strong buying movement, has now turned into an affair of alternating strength and weakness. Volume of trading which heretofore came out on the advances is now rather evenly divided between upward and downward swings. In short, the market is clearly beyond the accumulation stage, has probably accomplished the major portion of the marking-up process and looks on the surface as though a rather generous amount of distribution was being accomplished.

A reaction from the vigorous early-year advance seems to be in prospect, therefore, or at least a rather extended period of irregularity that will score net lower prices on the average. The scope and amplitude of this recessionary period in prospect will have to be determined by several factors now in the making. The first of these to be considered is the amount of distribution that is accomplished while the market is at the turning point. Up to the time of this writing, it must be conceded that the nature of the selling does not appear to be highly important. Profit taking originating from professionals and individual traders who were fortunate to accumulate cheap stock in the latter months of last year has been well absorbed. Short selling by traders attempting to get a play on a decline has not made a very marked impression on prices.

It is an open question, therefore, as to whether the pools and insiders have been able to effect any extensive distribution of their holdings or indeed, whether they will not be inclined to let their stocks go out sparingly for public consumption. If this stage of distribution, with its alternating strength and weakness, should be continued over a long period of time, however, the subsequent reaction might reasonably be expected to be more serious than anything now in sight.

Business Must Improve

An equally important consideration in determining the probable scope of any recession in prospect is the tide of general business and industrial activity. Admittedly unimpressive from the statistical evidences now available, it is still possible that more encouraging business prospects will develop in the not distant future. And any such development would tend to dissipate the full force of any stock reaction at this time. The utter failure of business to improve, or further depression tendencies, would of course

(Please turn to page 726)

Business Sentiment Flouts Statistics

Bright Spots in Some Localities and Depression in Others, But Confidence Is Universal—What Does It Signify?

By John C. Cresswill

This appraisal of the present business situation in the country as a whole reveals a better business mood, increasing hope, and general seasonal improvement, despite the gloominess of most statistics of actual conditions. In preparing this summary the writer had access to reports of hundreds of business correspondents and the assistance of special contributions by outstanding business authorities in eight widely separated regions.

A FEW months ago it was difficult to appraise business conditions in the United States because of the profound pessimism that was then dominant. Now it is equally difficult because of the growing spirit of optimism as to the future. It is not unusual for a business correspondent to report that business is improving in his district while also noting figures that indicate stagnation if not continued recession. Most of the statistical business indices still record recession or passivity as this is written, and yet there is a note of hopefulness in most reports.

A part of the improved tone is doubtless due to confidence that Spring is bringing a certain degree of seasonal revival; another part is due to a prevailing belief that business activity and volume can not grow less and that they are so far below the minimum requirements of the nation that they must increase. Still another part of the relatively sanguine mood may be attributed to the recent striking demonstrations of the unimpaired financial strength of America in the way Federal and corporation issues of great magnitude have been quickly absorbed. The success of these capital issues indicates a disappearance of skepticism as to the future and is taken as a forerunner of improving ease in commercial loans. It is felt that the pressure of capital for employment is about to break through the high walls of supercaution that have so long restrained it.

Confidence Tempered by Caution

And yet along with this growing confidence there is an important note of judicious repression of hope for a general revival this Spring. The tendency seems to be to suggest that since the winter months did not appear to lay the foundations of industrial and wholesale expansion the expected Spring seasonal improvement in trade must not be viewed as coinciding with the longed-for cyclical revival, and there is evidence of a philosophical resignation to the possibility, if not probability, that the cyclical uptrend will not be statistically in evidence before Fall.

In the industrial regions the three standby factors of business regeneration are still unpleasantly quiescent. The spurt in steel production has been made against a background of a very low rate of activity during the latter part of 1930. There are intimations that the seasonal activity in automobile production will not reach the proportions that were hoped for. Building and construction are still slipping, compared with last year, although there are regional exceptions. Moreover, the search for some industrial novelty that will galvanize the business world is so far fruitless.

Much of the sanguine feeling regarding the future is based on the Federal government's estimate that the total of construction of all kinds to be undertaken during 1931 will attain the record-breaking total of 11 billion dollars, and employ a million workers, but it is also recognized that the business fruits of this stupendous program will not mature until later in the year. A very large part of the total is for government account, and it is notorious that governments are slow in getting into action, as witness the fact that road-building rarely gets under full swing until the latter part of the Summer.

While there are but few, if any, localities in the entire country that do not report a shrinkage of business activity, as a whole, of considerable proportions, even when compared with last year or 1928, not to mention 1929, the variations as between different communities even in the same region are often pronounced. Cities only a few miles apart show startling contrasts. In general it appears that industrial cities which are the most enterprising and have many large plants are worse off than the more conservative communities with smaller plants. An accurate, detailed business map of the condition of business throughout the country would look like a leopard's hide. The most depressed regions have bright spots, and the most prosperous, black ones.

The Situation in New England

While in general the more highly industrialized part of this region must be classed as depressed in view of the actual records of business, there is an undeniable note of hopefulness abroad, which is not entirely without factual sup-

port. Building and construction contracts for the last week in February established a record, and since the first of the year there has been a marked increase in employment in the shoe industries. Latest reports indicate improvement in the textile industries, orders are exceeding restrained production in some lines and there have been price advances. Retail trade is slack compared with the high marks of 1929, but allowing for the reduction in prices the volume is high. The low bank debits as compared with this time last year probably reflect continued lethargy on the whole. This region has not only cyclical business conditions to contend with but has to face the problem of a relative decline with reference to the national whole which has been going on for many years.

"Judging by facts and conditions," declares William A. Filene, of Boston, "the general direction of New England's prosperity line is upward."

New York Still "Slow"

The metropolis of the nation concentrates its adversity as well as its prosperity, and tends to impart its tone to its immediate region. It sympathetically magnifies in its own condition the general dullness of the great industrial region north of the Ohio and east of the Mississippi. It lives by commerce and finance more than by manufacturing, great as is the latter. The low estate of trade throughout the nation is deeply engraved here. Reports of continued depression elsewhere are focused and emphasized. That is probably why New York business men sometimes think the nation at large is not badly off after a trip into the back country.

On the other hand, New York is more subject to projected prosperity for its business feeling than other parts of the country. With the improved tone of the stock market for some weeks, the success of the new bond issues, and the apparently gaining political stabilization of Europe, the city has certainly begun to feel and talk more hopefully.

Traveling southward on the map, actual conditions seem to improve. Philadelphia reveals more signs of revival than New York. Even in Newark conditions have probably never been so bad as in New York City. Baltimore, entrenched in accumulated wealth and protected against excesses by inbred conservitism, has held up remarkably well. Reports at the moment of unsatisfactory conditions ot various kinds are to be interpreted in the light of the general position, which is reflected by the fact that bank debits are off only about 10 per cent as compared with a year ago. Except as the drought affected some parts of Maryland and Virginia the rural regions have held up well during the depression. Much of Maryland, Virginia, and some of West Virginia has been sustained during the depression by the continued prosperity of Washington, where the great and ever-growing Federal payroll is impervious to hard times. In the vicinage of Norfolk the shipbuilding boom has been a factor in staying the ravages of the general depression, and the tobacco districts of Virginia have not been much depressed. The lumber retail business, often considered a good thermometer of business, reports an improved outlook (which by the way is markedly true of New Jersey) in Maryland, Virginia and North Carolina. Bank debits tell a reassuring story in the Richmond Federal Reserve district, being notably higher than the general average of the country.

The South Viewed as a Whole

"In the construction industry," writes the recognized business authority of that region, Frank Gould, publisher of The Manufacturers' Record, Baltimore, "the figures are impressive. In the sixteen states of the South the total valuation of building and general construction contracts let in 1930 amounted to 921 million dollars, the highest annual total of record, exceeding the 1921 awards by 141 million dollars. January and February figures are 110 million dollars, compared with 114 million in the first two months of 1930.

"The banking situation is noticeably better. Financial institutions have put themselves in a strong cash position, following the failure of banks in various parts of the country.

"The agricultural situation is more encouraging. The promise of reduced acreage for cotton planting will result in further diversification of crops and a higher price for the staple itself. Marked progress has been made in dairying; and in the last year the food-processing industry, through the expansion of canning and the quick-freezing of fruits, has attracted greater attention.

"Wholesale and retail trade show a slight betterment, while manufacturing is on a

What is the Recipe for Prosperity?

better basis, because of definite progress in balancing production and demand.

"Undoubtedly this region, in the next forward movement, will make the progress of the past seemed dwarfed by comparison."

Florida Revives in Depression

Florida was to a great extent immunized to the general business slump by its own private boom-fever collapse of five years ago. According to the U. S. Department of Agriculture the purchasing power of Florida crops was only 2 per cent less in 1930 than in 1929. "Florida has the largest citrus crop in its history." Peter O. Knight, of Tampa, reputed to be the best informed man in the state on its industrial condition, writes to THE MAGAZINE OF WALL STREET, "and while the prices are not good, the crop will bring in between sixty-five and seventy millions of dollars. The state is having its usual vegetable crop, eleven thousand carloads of which already have been marketed. Less lumber and phosphate are being shipped, but last year was a record year. The tourist crop is good. Unemployment in the state is very low. The banks have more cash as compared with deposits than those of any other state. The Tampa Electric Co. is one of the few utility companies having greater net earnings in 1930 than in 1929. Florida is in a sounder condition than at any time since the boom and occupies a position of comparative prosperity while the remainder of the country is in the depths of despair."

Louisiana Looks Forward Hopefully

While drought conditions in the northern part of the state, the cotton depression, the deadness of the lumber industry, the flatness of sugar market, as well as depressive hangovers from floods make it necessary to place Louisiana as a whole in the "slow" class, conditions in the southern, diversified farming section of the state, are better than in the northern part. A $25,000,000 crop of sugar cane is in sight and the vegetable and strawberry crops, now moving to market, will total much larger than last year, and the recent improvement in rice prices is helping planters.

Sentiment in New Orleans is reported very good by A. M. Lockett, president of the New Orleans Association of Commerce, who remarks on the increase in construction awards and the $261,000,000 improvement program that is being shaped. Mr. Lockett "points with pride" to the rapidly rising bank debits of New Orleans.

The great contraction of the lumber industry adversely affects Alabama, Mississippi and Arkansas—and the last is the greatest sufferer from the 1930 drought.

Southwest Wet with Oil and Buried in Cotton

The greater part of the Southwest is in an unhappy state of business mind. Even the hilarious excitement of the new oil fields in eastern Texas cannot agitate the deadness of business. The stagnation of the oil markets, the repression of production, the excesses of past production, the cheapness of cotton and most agricultural products and the slipping of value of farm and range animals and their products have all made for dullness. This has been aggravated by the fact that most of the farmers, especially the newer settlers, of whom there are 60,000 in Texas, are without cash reserves. Many have suffered severely from the drought. Bank debits are low but railroad car loadings are holding up better in this territory than in any other. Improvement in the retail lumber business is considered a good sign, but there is little hope of general betterment before Fall, although liberal public improvement programs, and railroad building in the Panhandle country, are helpful features. In the western parts of the Southwest, where the livestock business had revived before the general depression set in, conditions are better than in those sections where crops are the chief dependence, even though the meat industry is suffering in the general slump. In Arizona, the hard blows dealt to lumbering and mining by the business cyclone have been severely felt, as in the mining regions generally.

Mixed in the Golden State

While California as a whole is placed in the business twilight zone, there are spots that are very black, and none that are very bright at the moment. Owing to the vast volume of funds that flows from other states to this great tourist and retirement state there is always a certain backlog of business. The state has an extraordinary citrus crop and while the price is not good, the movement of a big crop at low prices is often more beneficial, directly and indirectly, than a small crop at high prices. Petroleum and lumber, important industries here, are in a bad price and production way. Building is picking up, especially in the San Francisco Bay district, and the moving picture industry flourishes in Los Angeles with the depression bringing record attendance to the theatres of the nation. The state has so many different agricultural industries and is developing such a diversity of manufacturing activities that it no longer goes up and down as a whole.

Pacific Northwest "Boarded Up"

Industrially, lumber manufacturing is king in the Pacific Northwest, but for two years he has been a pitiful monarch. Carloadings of forest products in the general northwestern region of the country are 50 per cent less than they were three years ago at this time, and 40 per cent less than even last year. Unemployment is extensive, lumber prices and production have been cut to the bone; production is now reported as below current business, and there is a seasonal expansion in shipments. The hard times are causing some consolidations and absorptions in the lumber industry and may pave the way to its complete re-invigoration through controlled production, which has been achieved for the time being at least. There is nothing in the agricultural or grazing position of the northwest to brighten the picture, but hope blooms bright and there are visions of a coming monopoly of forest supplies and a great expansion of over seas trade.

Middle Northwest Mixed

Crossing the map eastwards, there is little brightness in Idaho, Montana, North Dakota and Northern Minnesota. In the range country there is little stirring. Wheat farmers however have been coming into more money at this time of year than usual, owing to exceptionally heavy marketings, and there is expectation in Minnesota of much building and construction activity. The mild winter has been conducive to heavy dairy output in Minnesota and Wisconsin, which has offset low prices to some extent and has tended to maintain business activity. The flour milling industry has been fairly active and prosperous despite low prices. In the diversified farming regions of parts of southern

Minnesota, South Dakota, and Wisconsin business has been relatively good. Much of Iowa is benefitting from having had a good corn crop in an off year for that cereal. Corn and hogs and reserves of agricultural wealth account for a large area of the Missouri Valley that seems to have fared slightly better than most of the country. The lumbering and mining regions of northern Minnesota, Wisconsin and Michigan suffer from the slack demand for iron, copper and lumber. L. E. Wakefield, president, First National Bank, Minneapolis, reports trade volume in the Twin Cities larger than a year ago and an excess of money in the banks, but finds no definite trend.

Omaha and Denver Optimistic

Carl R. Gray, president of the Union Pacific Railway, writes from Omaha that building improvement is stimulating business and that $5,000,000 of road contracts will help further. Retail trade is better than it was in 1930, and inventories lower than usual. Omaha's meat packing plants had a 6.4 increase in February over a five-year February average. The unemployment situation is not particularly acute. The outlook, Mr. Gray says, is for a slow progressive improvement in agriculture.

A. E. de Ricqles, livestock financier, Denver, throws some light on the prosperous condition of western Nebraska and eastern Colorado. He reports that that region had the best corn crop in its history and it is being fed to cattle and sheep there. Nebraska, he notes, is rather exceptional in that it has a normal supply of livestock on the range and in feedlots, and has been therefore, but little affected by the business slump. General prospects for sheep and wool are not good, due to overproduction; but the cattle supply is limited and a general business improvement will be followed by much better beef prices. There is no large surplus of hogs, Mr. de Ricqles says, and corn can profitably be fed to them at present prices. The usual Colorado tourist crop, a big road building program, the Boulder Dam, beet sugar, an impending expansion of retail buying of necessaries and comparatively little unemployment are factors that make for early improvement of business.

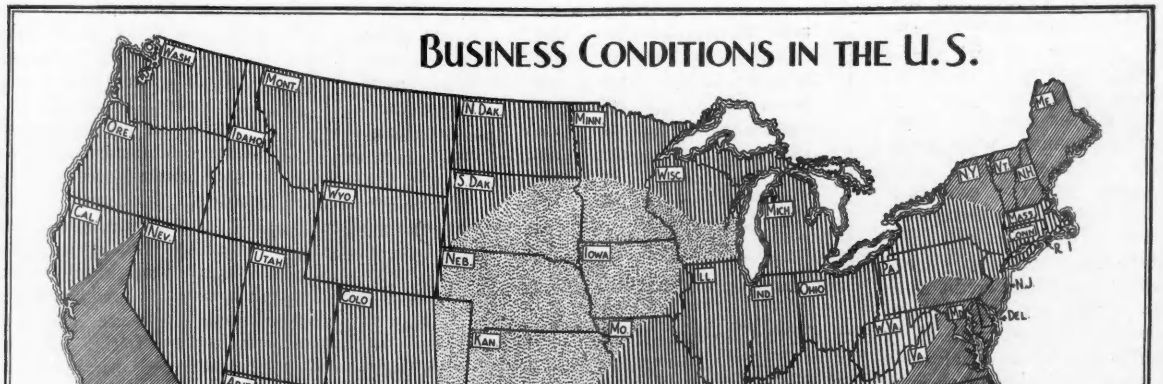
Dubious in the Middle West

In Chicago territory the depression of the heavy industrial regions blends with the agricultural effects of the great drought of last year. Present business reports are not good, but rain and snow have brought hope that the drought is over. There has been some improvement in steel and building, but trade in building materials lags. Informed opinion in Chicago is dubious in regard to prospects for an early general revival of business. The increased activity of the automobile industry, although not as yet promising for the future, has somewhat relieved conditions in the Detroit district.

Cleveland is Hopeful

According to advices received by THE MAGAZINE OF WALL STREET from D. C. Elliott, economist of the Midland Bank, there is a distinct seasonal improvement which is, it is felt, laying the groundwork for a more vigorous recovery later on. Iron and steel output advanced to 60 per cent in that area in early March, against 48 in January. Shipments to motor plants have broadened. Inquiries for sheets and plates are increasing. Orders for wire products have gained sharply, as also for cold-finished bars. The paint trade is improving. Employment is gaining. Building is still in contraction. Retail trade is better than it was, but wholesale trade is slow. Credit is cheap and abundant.

Pittsburgh reports some improvement in iron and steel but coal mining is dull. Retail trade is a little better and no improvement is noted in building materials.



Is There Enough Monetary Gold?

The Question Now Under Debate All Over the World May Be Answered in the Affirmative If Present and Prospective Holdings Are Made to Do the Maximum Work—The Country Whose Banking System Approaches the Ideal in Gold Utilization Is on the Threshold of the Greatest Development

By CHARLES E. SHORTRIDGE

TO the question "Is there enough monetary gold?" there have been many answers, some in the affirmative some in the negative. It would seem, however, that all of these expressions are predicated on a presumption that existing practices, as regards currency, must be continued. Yet, these practices of currency control came into use generally since the World War began. If we permit ourselves to become sufficiently unorthodox to question the full beneficence of our present systems of currency, there must arise a number of doubts as to dogma put forward by the school of later day economists who have been such successful missionaries for the economic creed now widely accepted.

Changes in Gold Coverage Since 1913

(End of year)	Gold Holdings 1913	Gold Holdings 1930	Notes in Circulation 1913	Notes in Circulation 1930
	(Millions of Dollars)			
United States	1,290	4,593	3,419(ab)	4,890(b)
Belgium	48	191	206	456
England	170	718	143	1,795
France	679	2,100	1,121(c)	2,996
Germany	279	528	....	1,138
Italy	265	279	537	825(d)
Spain	93	471	373	912
Switzerland	33	138	61	205

(a)—As of June 30. (b)—Total money in circulation. (c)—As of May 23, 1914. (d)—As of Nov. 30.

Far and wide over the world, governments have come to use their credit as a base for the issuance of their currency, following the suggestion of this "modern" creed, and finding in its belief an easy way of meeting the emergencies that came to them through the exigencies of war expenses. They forgot, or refused to remember, that there had ever been such a thing as "credit money" before, known by an uglier term "fiat money." As far as one can see they did not give any heed to the results that must come from the use of such a form of currency. In the light of history it is fair to conclude therefore that the question of whether there is enough monetary gold is really a question that goes beyond accepted practices of currency control. One might also ask "is there not too much credit outstanding as a component part of the circulating medium of exchange in terms of which different nations carry on their domestic commerces?"

It must be remembered when one considers this problem that contrary to the general assumption, "credit," whether private credit or national credit, has no quality of the infinite, but truly depends for its life on being wiped out, paradoxical as that may seem. That is to say, "credit" must be met and satisfied, or it becomes a bad debt. Governmental credit, created through currency issue may become a "bad debt" under some circumstances.

Contemplating this particular fact, one may find a question coming to mind: Was this perhaps the cause of the German depression just prior to the World War, for which the Germans blamed the machinations of France and England? It is a matter of record that the German currency had been issued on the general plan of part gold, part credit, the last going on and on, indefinitely. Was there not some likeness to our old friend of Dickens' creation, Micawber, to be found in these gentlemen who controlled the financial destinies of the embattled states? And may we not suspect in them as they issued each new batch of currency to pay some charge against the state, some pious sentiment very much like the one expressed by Micawber as he gave his note of hand: "Thank God that is paid." It is no new experience to find that currency issued under such conditions diminishes in power to purchase commodities as was quite evident by the rise in prices over the war period. It also involves this currency as a measure of reduced purchase power in terms of which bonds were issued.

The Dilemma of Nations

Because of the post-war currency practices, there has then developed a set of circumstances applicable to all the nations involved, under which they are placed on the

horns of a dilemma. To pay their funded debt, issued in terms of depreciated currency, they must continue it, yet to carry on their foreign trade they must bring their currency back to full gold standard, at present a pious fiction.

One phase of this dilemma may be seen in the present dispute as between France and England as to the franc to be used in the retirement of certain French bonds issued in terms of francs at a time when, so to speak, the franc was but a shadow of its standard self as far as purchase power was concerned; and when sterling had lost its power of purchase to a considerable degree for like reason. This state of affairs has grown out of the French recognition of facts as they are, but an unwillingness to face them to the extent that they acknowledge to their English creditors the existent power of the franc to buy as their standard measure. In other words France liquidated the factor of state credit that existed in her currency and came to bed rock as foundation for her money. Drastic as the step was and despite the hardship that it placed on her nationals, France has since prospered in contrast to those nations who have continued their practice of the use of fiat.

As one digs further for facts to demonstrate good qualities in the present system, one finds first that there is vast merit to be found in the principle of a central reserve of gold. About that fact, there will be little dispute, if any. In the use of single banks of issue for currency, one can not reasonably find the same definite merit, while nations continue to issue currency notes against a factor of credit other than gold. Obviously, some means must be provided for prompt and constant satisfaction of such credit if it is to obtain. The simple solvent of credit in practice is the process known as clearance, or the daily satisfaction of balances between banks or branches. Manifestly this requires more than one entity to be accomplished, so the present effect of the single bank of issue is to perpetuate credit in circulation. As this progresses over any considerable time then credit becomes impotent of purchase power. This compels one to the conclusion that there must be multiple banks of issue where credit is to be used in the issuance of money in order to permit of the regular and immediate clearance of the national currency.

Enough Gold for Modern Trade

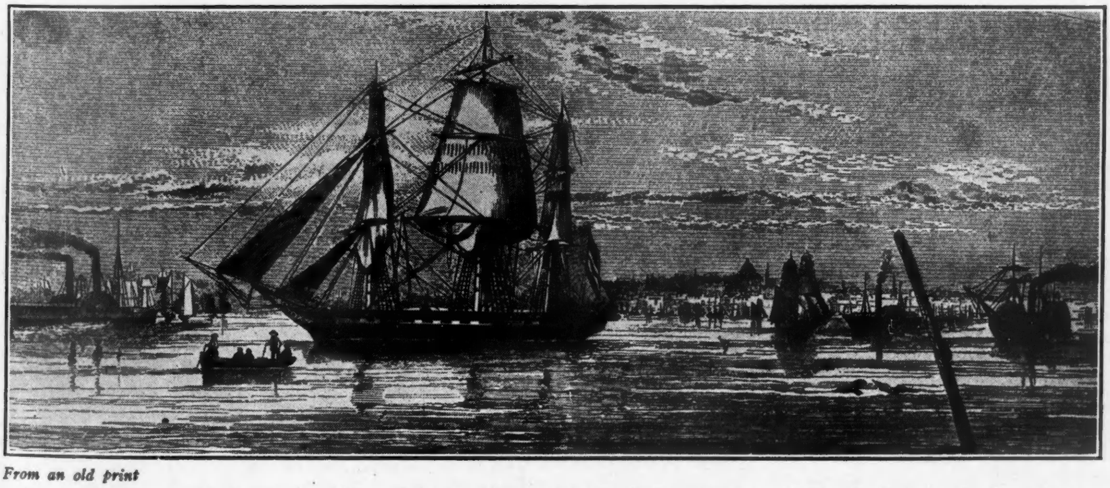
It is an axiom that will not be disputed that any cycle of credit promptly cleared will reflect the value of its clearance medium. This being the case, it becomes encumbent in the government to provide a constant in terms of which this clearance is to be carried out. Experience has shown that the differences to be settled by clearance are but a small percentage of the total credit that is to be retired, say approximately 10 per cent in practice. It is much less in fact. This being the case and there being approximately $9,000,000,000 of monetary gold in the world there would be a potential credit possible of $90,000,000,000. Experience again has shown that where clearance of bank notes has been carried on that even in countries where communication is least developed, the life of the credit instrument, the bank note currency, is rarely in excess of forty-five days and for the most part less than thirty. Under a universal system of prompt clearance, from eight to ten times $90,000,000,000 would be available for use over the period of twelve months. Under this system, currency would fulfill its function of convenience money without being open to the opprobrium of fiat. Gold would retain its function of the standard to its full power, and under this system there would be ample yellow metal for all our monetary needs.

Some Lessons from History

As an example perhaps of the efficacy of the above mentioned process of constant clearance, it may be of interest to consider the system in use in New England from about 1813 on till the passing of the Greenback bill which brought into being a currency that might be issued against 30 per cent gold and 70 per cent of credit. It is a matter of history that over this time, when our merchant marine was in its glory and Yankee clippers out of Boston plied the seven seas, there existed a system of daily clearance of the notes of some four hundred and fifty or more banks by the Suffolk Bank in Boston in gold. These notes came to be known as Suffolk Bank notes and the world over were accepted at par of their face.

This system of daily clearance, carried on in gold daily, gave to a world of variable currencies, a constant in terms of which other nations could adjust their trade differences not easy in terms of their own inconstant currencies. These Suffolk Bank notes brought our bankers and merchants to the position of weighers and measurers for the world. This in turn gave a preference to our merchant marine which brought it to prominence over these years to decline from the time of the advent of the Greenback with its fiat

(Please turn to page 722)



From an old print

Boston Harbor in 1840—in the days when the American Merchant Marine and the Suffolk Bank flourished

From an etching by Otto Kuhler, courtesy Schwartz Galleries

Ships of the Air

For every passenger aboard the Leviathan her engines have to push 27,000 pounds of steel through water, a medium which is 900 times heavier than air. The Leviathan can carry only 4 per cent of her displacement in payload, whereas an airship can carry over 20 per cent of its lift in payload. The speed of the airship is three times that of the Leviathan. Several powerful American companies are at work on the problems of commercializing the Zeppelin. Within five years there will be regular airship services to Europe, and perhaps by the same time to Hawaii, Japan, China and South America. With her mid-world position, the United States will probably take and keep the lead in lighter-than-air-craft. She has the great material advantage of having a monopoly of the world's supply of helium gas, which is non-combustible, and enough of it to last for two hundred years. Like all innovations, the airship will work others. On account of weather conditions, and the at least present necessity of avoiding the high winds of the sea coast during landing and take-off, the great Atlantic airport is likely to be in the neighborhood of Washington, D. C., rather than at New York or any other coastal city. As a matter of fact the great air terminals of the future might be more desirably located at a central inland city. On such reasoning we are thinking of spending a billion dollars or so to make Chicago a seaport. There is already a perfect air channel from Europe and all the world to Chicago.

* * *

Steel Frames and Steel Mills

The development of the structural steel frame for dwellings is meeting with increasing favor. Indeed the next big wave of residential construction, which the National Real Estate Board sees in the offing as an inevitable answer to the current demand for 500,000 homes, may put steel house frames rapidly to the fore — greatly to the advantage of the idle steel mill capacity.

Things to

Improving Popular Periodicals

The best-read publication in millions of rural—and city—homes is the mail-order house catalogue. Hitherto it has been nothing but a book of advertisements for the house. Now Sears, Roebuck have opened their thriller to national advertisers. As these astute merchandisers never give something for nothing, it is fair to assume that they figure that the advertising will stimulate their sales of the outside advertisers' products, leaving the advertising reve-

Think About

nue all to the good. Not satisfied with this departure from established mail-order practice, the company has also very recently embarked on selling insurance by mail. Beginning with automobile coverage, the plan may later include accident, health, theft and other forms. Think of the variety which these innovations will bring to the literary contents of the catalogue.

* * *

Petty Articles Beat the Tariff

Enterprising foreign traders anxiously surveying our tariff walls for some way over or through, have discovered that high tariffs are no impediment to the importation of articles whose ordinary retail price is very low. Go into the five-and-tens and you would think you were in Germany, and in some of the department stores and women's shops you might be in Prague or Geneva. Take a thing that retails at 5 cents. Suppose it costs the German manufacturer one cent to make it; a duty of 100 per cent has no terrors for him. Even if the American manufacturer can make that particular thing for two cents, which he probably can't, he is only on a par with the German after the latter has paid the 100 per cent duty. In any low-grade article which requires some handwork the low-wage labor of Europe gives its manufacturers an advantage that is very difficult to offset by tariffs.

* * *

Shipbuilding Booming

The American Bureau of Shipping announces that there are 430,000 tons of vessels building in American yards, excluding certain minor categories. This is a peace-time record and gives shipbuilding the distinction of being active in a generally dull period. More than half the building tonnage is of vessels of 500 gross tons and upwards. It includes two 30,000 ton vessels building for the United States Lines. They may be some dubiety about the operating future of these vessels insofar as they go into unprotected international trade, in view of the present surplus of ocean shipping. But the head of one of the big American lines remarked recently that the question of ability to compete would soon be for the foreign rather than the American shipowner to answer. However that may be, this rush of ships from American ways, which is likely to keep up for three years, if not longer, contributes to the knottiness of the question: What are the foreigners going to use for money when they trade with us? Already a third of American foreign commerce goes in American vessels, and with further advances in American tonnage, ocean freights, one of the principal items on the foreign credit side of the international balance sheet, will decline.

* * *

Autoing on Railroads

One of these days you may have a railway coach stop at your house and deliver you at the door of a friend's house in a distant city. This idea comes from England, and it puts the automobile on the railway. Railways were built in the first place in order to obtain road surfaces—the rails—that would present a maximum of smoothness, and a minimum of grade and curvature. There were railways before there were locomotives, and there were steam locomotives on pavements before there were any on rails. Now English railroaders are asking why the newer form of locomotive, the automobile, can not operate on the superior railroad as well as, or better than, on the highways. Their experimental answer is the "ro-railer," a bus or truck that has one set of wheels for the highways and streets, and another for the rails. It is believed to have great possibilities for promotion of success for the railways in the war with the automobile. Such a bus or truck can meander around the streets and highways picking up freight and passengers and then glide onto the rails and speed away to its objective station. There it can transfer in a minute to two to the road and proceed to deliver its load at its ultimate destination. Where the traffic is heavy the cars can be coupled into a train for the rail journey. Doubtless there are many practical reasons why the ro-railer may not be feasible but the layman, seeing the way the railways are being crowded out of transportation functions on all sides, often wonders if they are doing as much thinking about adapting their magnificent roads of steel to modern motors and their flexibility as they might be. Whether we ro-rail or not there is certainly abundant room for unification of transport by the railways. The already considerably-used combination of containers, freight cars and trucks seems to provide the railways with a device by which they can stop the inroads of the trucks on their freight revenues and perhaps win back much that they have lost. When Florida orange growers deliver oranges in their own trucks at cities a thousand miles distant the railways cannot content themselves with the solace that trucks compete only for short hauls.

* * *

Over-Production in 1630

The first English settlement in America was only some twenty years of age when it was into the first over-production crisis staged in American history. The tobacco boom hit tidewater Viriginia early and hard. Such were the profits in tobacco growing that the planters could not be induced to raise enough food for home consumption, although they were two to four months away from their base in England, and the corn granaries of the Indians were but a precarious dependence. Finally, they produced such a crop that there was no prospect of disposing of it or any part of it except at a stunning loss. The colonial government resolutely met this situation by ordering the destruction of the worse half of the tobacco and also half of the rest. In our days we have seen California orange growers destroy a part of their surplus crop but so far as can be recalled there has never been a concerted effort with governmental initiative to destroy the surpluses that are making the world a place of want in the midst of plenty. The conscience of mankind would be revolted by the deliberate destruction of property—and yet what is the moral difference between the destructive effects of producing too much and of destroying the "too much"?

* * *

New Inventions

The patent office is struggling under a 50% increase in the number of applications, which indicates the diligence with which our inventors are striving to produce the new device or new industry remedy that has cured depression in times gone by. But apart from the new and untried, already we have such things as television and the autogyro ready to leave the experimental stage and create new industries or provide the needed stimulus to established ones. Like all new things, the true potentialities of these last named inventions will not be appreciated until they have become commonplace.

Statistical Position of Petroleum Industry Improves.

Crude Price Slash Accompanies Texas Oil Boom.

What's Wrong With the Oil Stocks?

By MORRIS ROBERTS

THE oil stocks have been conspicuously backward in the January-February stock market revival. Specialties in the oil stock group had their moments of speculative activity, but the more representative issues failed to come into line with the general price advance in the stock market.

On the surface, there was little to justify the lethargy of the petroleum issues. Statistically, the industry ended the past year in a stronger position than it had started it, which was more than can be said of a good many other industries whose shares have participated in the general stock market advance. Crude production, for example, was reduced during 1930 and the industry managed to maintain lighter stocks of gasoline during the present winter than during the previous winter. The performance of the oil stocks, however, indicate that menacing factors lie somewhere under the surface. And after a long series of disappointments, oil stock holders are again asking, what is wrong with the industry now?

Too Much Petroleum

The source of most of the difficulties which the oil industry has experienced in recent years has been the fact that oil companies have been too successful in bringing crude oil to the surface and too efficient in turning this crude into refined products. The result has been low prices for crude in all producing fields and a small margin of profit on refining operations. Last year, the first fruits of oil conservation and pro-ration plans were realized in a fair sized reduction in crude output.

But the industry makes its profits nowadays by selling gasoline rather than by producing crude oil and the business depression cut rather deep into the normal demand for this favored product, especially during the second half of the year. In spite of lower refining schedules, necessary to meet the slack in demand, gasoline prices were far from satisfactory. Vigorous competition in the marketing of this gasoline extended into practically every important domestic market and profits were smaller on a smaller volume of business. This is the unfavorable side of the picture of the oil industry in 1930.

A few months ago, pro-ration was hailed as the development which would at last stem the costly flood of crude oil. Low gasoline prices had been instrumental in holding down the available supply of that product in storage. Control over refinery operations was regarded by some interests in the oil business as an even more effective instrument for attaining stabilization than prò-ration. But at the moment of this writing, it looks very much as though refinery control and crude output control might break down together. No doubt the apprehension on this score is the factor which has led to rather conspicuous unsettlement of petroleum securities.

Those who had followed the petroleum markets closely expected lower prices, but it was the severe cut in mid-continental crude prices made during the first week of March, that revealed to the public at large what a really ineffectual measure of control was provided in current schemes for controlling production by "gentlemen's agreement," for that is all pro-ration really is. The larger companies faced a situation where their markets were being weakened by cheaper petroleum supplies which had their origin in over-production; notwithstanding the pro-ration plans. And under these circumstances, they resorted to the old-fashioned but effective measure of slashing the price of crude.

A New Oil Boom

In the meantime, another threat to the price structure of the entire industry was developing in the new East Texas pools. A few months ago, this area was rated by the larger companies as unprofitable for oil exploitation. Today, it is the scene of feverish activity, enjoying the distinction of being the only boom in the country. In the few months of drilling and testing, some 75 square miles are indicated as oil bearing and the extent of the producing sand in Rusk and Gregg counties, Texas, is being extended daily. Some 150 drills or locations are already established and at least 400 are expected by June. Oil experts believe that flush production of new wells in this area may be shorter lived than in other fields, but probable reserves of as much as one billion barrels are already indicated. Drilling completions during the current month may prove that the three principal pools now being exploited represent the greatest reserve of high grade crude ever known in the history of the oil industry.

So serious is the threat of this new field to an already overburdened petroleum market, that efforts to bring it under some effective measure of production control are already under discussion. A few notes descriptive of the character of the new field will show how important it is to obtain some measure of control over this new flood of crude

oil—also the practical difficulties that stand in the way of any successful pro-ration scheme. The large companies do not have a dominating position as far as control of leases is concerned. They were slow to get into the field and are somewhat unwilling to lease acreage even now because they believe the intensive drilling activity of independent operators will make the oil so cheap that it would be better business to buy the crude than to exploit their own acreage.

A large number of small operators with small capital have begun a feverish drilling campaign in order to raise quick cash from their production. Although the crude is a good grade, with a high gasoline content, it is selling now at between 35 and 40 cents a barrel. The few gathering lines in the field run a limited quantity to loading racks at nearby railroad points, but at least five of the larger companies have plans for constructing pipe lines into the field. Thus the East Texas crude might soon be available to mid-continent refineries or tankers at Gulf ports, and exert a depressing influence in the principal petroleum markets east of the Rockies.

New Threats to Stabilization

This spectacular Texas oil boom, which has sprung up in the past few months, is symbolic of the extent to which excessive supplies of crude, at the surface or underground, are a constant threat to the welfare of the industry. Without pro-ration, this new supply of oil is an immediate menace to orderly and profitable disposition of the present supplies of crude. Assuming that, during the next few months, some effective scheme is improvised to hold back the potential flush production of this field from the markets, the addition of such an immense reserve to present amount of shut-in production will still have an adverse influence on the industry.

Leaders in the oil industry are beginning to realize that pro-ration is not the final solution for overproduction problems, particularly since it has not proven effective in curbing drilling activities. While conservation efforts are responsible for a more orderly withdrawal of oil reserves, they are also responsible for a steadily increasing amount of potential production of crude oil shut-in at the wells. A few years ago, it was thought that the oil industry could be effectively stabilized if the surplus crude were held in storage below the surface. At the present time, these sub-surface supplies of crude have grown to such immense proportions that they have an effect on crude purchasing markets somewhat similar to storage of crude above the surface.

It is roughly estimated that a total production of over 1,500,000,000 barrels could be obtained during the present year 1931, if all pro-ration bans were done away with—this amount of the present potential production being approximately 70 per cent in excess of the probable demand for crude oil during the year. In addition to this potential production in domestic fields, American oil companies have huge reserves, readily available to eastern seaboard markets from oil fields in Mexico, Venezuela and other South American countries. The usual statistics of the industry take into account only the actual production brought to the surface or the supplies in storage above ground. Pro-ration has turned production statistics into a very favorable exhibit, therefore, with production severely curtailed and storage oil considerably below previous peaks.

But the tendency of late has been for important leaders in the industry to face the fact that these statistics do not give the true inventory position of the industry. Shut-in production, which has a substantial drilling cost for the company to outlay and capitalize, is regarded by many oil men as a semi-inventory item. Consequently, it is a factor in the determination of crude oil prices in various markets.

A practical example of this was to be seen in the recent crude price cuts. Although, pro-ration had proven itself to be effective in reducing the actual withdrawal of crude from the ground, it did not materially deter exploration and drilling for new reserves. The important purchasers of crude oil found that there were large quantities of crude for sale at prices considerably below the posted prices. Cheap crude ultimately became cheap gasoline which appeared in competition with the marketing activities of the large companies. Without the burden of a huge shut-in production to carry as a semi-inventory item, these companies might have been satisfied to maintain the higher posted prices until the season of greater consumption arrived. With two-thirds as large production held in the ground as was being withdrawn from the open wells and with enormous additions to production and reserves developing in the East Texas fields, the only practical expedient was the severe slash in prices that were made.

The failure of Congress to place a legislative ban on imports, was no more than a contributing factor to an otherwise unfavorable situation as far as the supply of crude oil is concerned. An embargo on incoming shipments would merely represent pro-ration applied to foreign oil fields, and as such would not show itself effective in stopping drilling of proven fields or exploitation of new wild-cat districts in foreign countries. Those oil operators who are depending upon restrictions on imports to restore prosperity to the oil industry are merely whistling in the dark to keep up their courage. Investors in this industry would be well advised not to

(*Please turn to page 722*)

Courtesy, Early Deane

Bringing in the First Big Gusher in the Joiner Field, East Texas

New Mass Distribution Must Rescue Mass Production

Retail Merchandising Meets the Test of Depression and Offers Investment Opportunity

By John Guernsey

In Charge of Retail Distribution, Bureau of the Census

Part II

This is the concluding part of Mr. Guernsey's article on retail securities. In Part I, which appeared in the issue of March 7, immediately preceding, he discussed the general trend of retail merchandising and the prospective market position of leading securities in this field. In this number he deals in most interesting fashion with particular problems in each of the great divisions of the industry.—Editor.

IN the retail field where, it now appears from the Retail Census, more than 1,500,000 stores do an annual business in excess of sixty billion dollars, nearly two-thirds of the sales volume is handled by but four groups of stores, viz: the food group, the general merchandise group, the automotive group and the apparel group. In each of these major groups, trends are now apparent which all point to the same general conclusions.

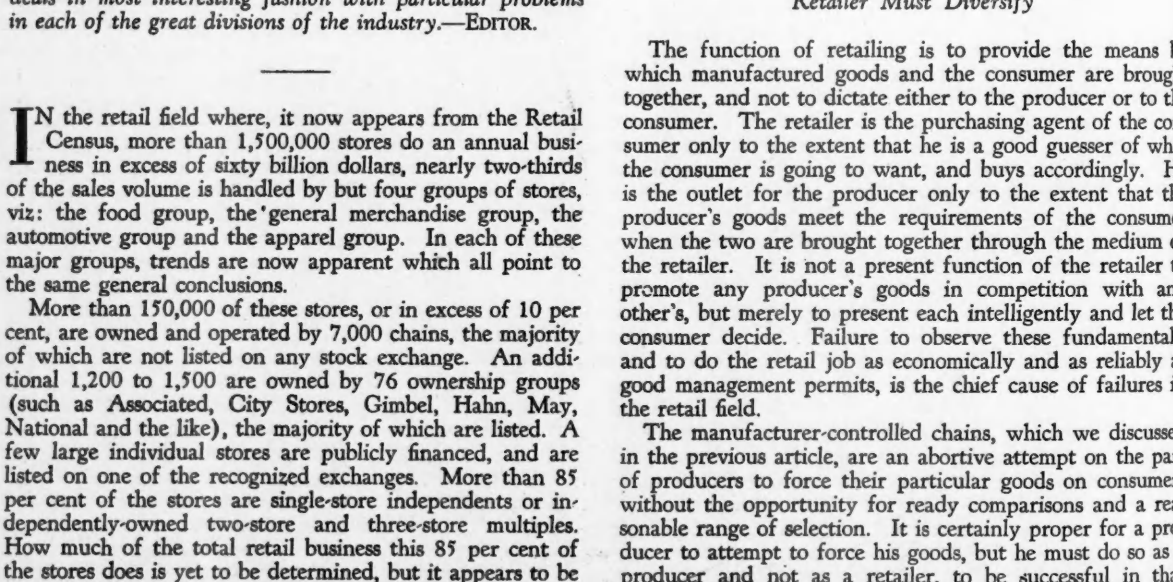
More than 150,000 of these stores, or in excess of 10 per cent, are owned and operated by 7,000 chains, the majority of which are not listed on any stock exchange. An additional 1,200 to 1,500 are owned by 76 ownership groups (such as Associated, City Stores, Gimbel, Hahn, May, National and the like), the majority of which are listed. A few large individual stores are publicly financed, and are listed on one of the recognized exchanges. More than 85 per cent of the stores are single-store independents or independently-owned two-store and three-store multiples. How much of the total retail business this 85 per cent of the stores does is yet to be determined, but it appears to be somewhere between 75 per cent and 82 per cent.

With this picture before us, the question immediately presents itself whether an industry as extensive and as varied as the retail industry can be comprehended within any set of economic principles. Can it be discussed as an entity at all, or must it be broken up into a series of industries, each subject to its own peculiar laws and each responding in its own way to basic forces such as the 1930 depression?

Retailer Must Diversify

The function of retailing is to provide the means by which manufactured goods and the consumer are brought together, and not to dictate either to the producer or to the consumer. The retailer is the purchasing agent of the consumer only to the extent that he is a good guesser of what the consumer is going to want, and buys accordingly. He is the outlet for the producer only to the extent that the producer's goods meet the requirements of the consumer when the two are brought together through the medium of the retailer. It is not a present function of the retailer to promote any producer's goods in competition with any other's, but merely to present each intelligently and let the consumer decide. Failure to observe these fundamentals, and to do the retail job as economically and as reliably as good management permits, is the chief cause of failures in the retail field.

The manufacturer-controlled chains, which we discussed in the previous article, are an abortive attempt on the part of producers to force their particular goods on consumers without the opportunity for ready comparisons and a reasonable range of selection. It is certainly proper for a producer to attempt to force his goods, but he must do so as a producer and not as a retailer, to be successful in that attempt. His effort should be to create the desire on the part of consumers, and register with them the conviction that



ROADSIDE STAND   TRAVELING MARKET   MAIL ORDER

his product provides the best means of satisfying that desire so that, when they go into the retailer's store and exercise their free choice, it is his product that they choose. On the other hand, whenever a retailer becomes aligned with a manufacturer to the point where he promotes a particular line of goods to the exclusion of other comparable lines, he is not performing his proper function as a retailer and soon finds himself at a disadvantage. Such a situation arises when a retailer or group attempts to produce its own goods, or contracts to handle one line to the exclusion of other lines, or buys too heavily of any article for the sake of price advantage and then has to promote it unduly in order to dispose of the goods.

Stores Added to Chains in 1930

	Present Number of Stores	Stores Added in 1930
F. W. Woolworth & Co.	1,881	56
J. C. Penney & Co.	1,452	57
Melville Shoe	480	21
Sears, Roebuck & Co.	350	9
S. H. Kress	212	9
G. C. Murphy	166	12
F. & W. Grand	112	18
Silver Stores	45	2
Neisner	75	16
Lerner Stores (apparel)	163	31

It is hard for manufacturers to see why retailers should not get behind their lines and promote them aggressively, and it has taken years for retailers to learn how inexorably this basic law of retailing works, when they attempt to restrict selection and dictate to the consumer. It is that same law that is violated when a so-called expensive store refuses, during a period of great price adjustments such as the present to adjust its price lines to meet the expectations of its customers. That same law is violated by the little retailer when the limitations of his capital make it impossible for him to carry sufficient stocks of goods to provide adequate selection—there is a vast difference between heavy stocks and adequate selection. The little retailer's position is unfortunate, but if he wants to be a retailer he must conform to the basic law of retailing. His inability to do so accounts for most of the failures of small retailers which are classified under the heading of lack of capital.

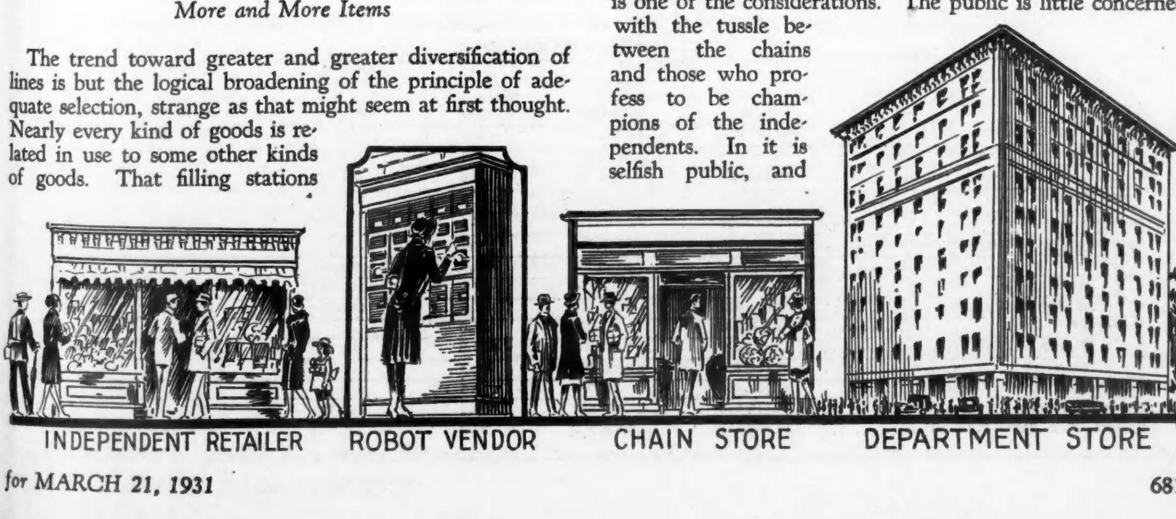
This same fundamental law of retailing, which requires that the retailer shall provide the customer with adequate selections of wanted merchandise, is responsible for the most pronounced and the most striking trend or development in retailing today—the trend mentioned in the first paragraph of this article, and which is found in all four of the leading fields of retailing. It is the trend toward greater and greater diversification of lines. It has been described incorrectly as a tendency to return to the days of the general store, but that is not the case.

More and More Items

The trend toward greater and greater diversification of lines is but the logical broadening of the principle of adequate selection, strange as that might seem at first thought. Nearly every kind of goods is related in use to some other kinds of goods. That filling stations should add tires is quite logical. That soda fountains should add luncheons was inevitable. When grocery stores added dairy products, and then fresh meat departments, and finally fruits and vegetables, they were merely expanding the principle of adequate selection and rounding out their service to the customer. Meat markets added groceries and now Swift is distributing its own canned goods. Hosiery shops added gloves and bags and jewelry. Dress shops gradually added millinery, shoes, hosiery, underwear, and furs. Fur shops added cloth coats with fur trimming. Milk dealers started carrying butter and cheese, and added eggs and poultry and ice cream, and that developed a demand for bakery goods and light lunches. Borden is now going to distribute orange juice. Candy stores added fountains, and fountains called for lunches, and lunches called for bakery goods. Hardware stores added electric light globes and sockets and wire, and soon they found themselves selling heaters and floor lamps and table appliances and refrigerators. Another hardware development began with straight razors, which added shaving brushes, then shaving sticks, then soaps, then face lotions, then cosmetics and finally a young drug-sundries department. The diversification and multiplication of drug store lines during this same period since about 1920 is too well known to describe, but it was not until the drug stores and the grocery chains added cigarettes that the cigar stores emulated their example and began to add everything from drug sundries to toy snakes. They failed completely, because it was not a logical sequence created for customer convenience but merely a retaliatory move which the customer ignored.

Chain Battles

The public pays little attention to the trade fights which are always going on. It continues to buy wherever it finds goods most conveniently arranged, which involves location, display and the grouping of related items. What it buys is pretty well fixed by what is required to maintain the standard of living which each individual constituting the public has set up for himself, in which the element of price is one of the considerations. The public is little concerned with the tussle between the chains and those who profess to be champions of the independents. In it is selfish public, and



transacts its business for its own convenience exclusively.

It is a fallacy to think that very many independents are concerned with the anti-chain movement, which largely developed into a "racket" for a few easy-money promoters, and will-of-the-wisp politicians and which is now approaching the evening of a none-too-perfect day. At the height of the agitation, though, many legislative cure-alls were devised by various state legislatures which have injected a new and startling element into the situation. The earlier attempts to destroy retail chains by legislation were straight prohibitions against them, which were promptly thrown out as unconstitutional. The next attempts, in 1929 and early 1930, took the form of a progressive tax based upon the number of stores operated by a chain within the state, and after a series of stiff fights these, too, were adjudged unconstitutional.

Then came the sales tax, based upon the amount of business done by each corporation within the state. This tax has stood the test of the courts, and is now in effect in many states. Now that it is being collected, the thousands of independent retailers who took no part in the agitation, and who cared not whether their competition was in the form of a chain store or some other independent, are up in arms against the agitators and the local politicians who listened to them, and are seeking to have the sales tax repealed. But the state legislators have discovered a new and enticing source of easy income, a veritable gold mine, and the sales tax is not likely to be shaken off easily if at all. It is dangerous because it increases further the cost of distribution, tends to obstruct the current which is required for the fullest flow of goods from producers to consumers, and lends itself to easy and unlimited increase by adjustment of the rate, just as the gas tax has been increased threefold within the last few years by the same unscrupulous methods. Were it not for the decline in oil prices, which has offset the increased tax as far as the consumer is concerned, there would be lively agitation today for the reduction of state gas taxes. The retail sales tax will have no such cushion to counteract it during the next three or four years, and that is about the only hope that business has of restricting its further spread and restraining state legislatures from increasing the existing rates in such states as have enacted sales tax laws.

It is doubtful if any move could be more foolhardy at this time than the proposed monopolistic mergers in the dairy field, or similar attempts in the meat packing field or the bakery fields, for public sentiment is decidedly antagonistic to them. The same is true of the public's attitude toward the proposed merger of the two leading mail-order houses. Such ill-considered promotions at this time should be discouraged by all concerned, for they are bound to bring about restrictive legislation which easily might go far beyond its original purpose and affect the whole retail industry. This is no time for mergers in any branch of the food field. It is the time for all multi-unit organizations to demonstrate their value in the function of economical distribution, and to sell themselves to the public by observing fair methods, sticking strictly to their business of distribution, and taking the public entirely into their confidence by frank statements of policies, methods, costs and profits. Some of them are doing that, and they are the chains which are making the best showing and are building that invaluable asset of retailers—widespread public good-will.

The independent who is really serving the consumer—and none other has a right to survive—is viewing the future in a more roseate light today than for some time. Increasing inter-chain competition, which has reached and passed the limits of price competition, is bringing about higher rentals for competitive locations, more elaborate plants, better equipment, increased service and a higher type of personnel. The cost of doing business is steadily increasing for the chains, reducing the margin of advantage which they had over independents. Better independent buying methods have come into existence, with the improvement in central buying offices and the revitalization of wholesalers. Credit risks of retailers have been greatly reduced by the development of merchant-owned retail credit bureaus in practically all cities down to 25,000 population and even smaller. Faith in the installment basis of credit has been justified by 1930 results. Central delivery companies are growing, and in more than 100 cities there are such concerns which now handle the deliveries for most of the independent stores, avoiding needless duplication of facilities.

The independent has an established community good-will which other forms of organization must establish for themselves at considerable expense. His store has a local personality aside from his own personality, knows how to treat consumers in that community as they want to be treated, and is a pretty good judge of what its customers want to buy. It has no great buying disadvantage which is not offset by selling advantage. Assuming a thorough knowledge of merchandising and of how to promote the

(Please turn to page 714)

How Various Types of Merchandisers Fared in 1930

This table contains the most recently reported results and is supplementary to the compilation which appeared in Part I in the previous issue

	1930 Sales	Decrease Compared with 1929	% Decrease in Sales	1930 Net After Tax and Charges	Decrease in Net Compared with 1929	% Decrease in Net
R. H. Macy & Co. (estimated)	$99,800,000	$1,111,513	1.1	$7,490,000	$1,866,324	20.0
Kaufmann Dept. Store—Pittsburgh	26,944,433	798,824	2.8	1,122,662	453,206	28.7
I. Magnin & Co.—San Francisco	10,090,045	894,114	8.9	591,207	196,834	25.0
Lane, Bryant, Inc.	17,168,478	+1,810,990	+11.8	341,796	....	....
Marshall Field & Co.	150,698,967	28,960,371	16.1	4,724,728	4,663,985	49.7
American Dept. Stores (11 months)	9,580,331	500,708	5.0	....	....	....
S. H. Kress & Co.	69,283,102	+808,109	+1.2	5,342,606	491,794	8.5
J. J. Newberry Co.	30,191,036	+2,402,864	+8.6	1,297,076	297,171	18.6
McClellan Stores Co.	24,081,973	+300,423	+1.3	257,513	743,944	74.3
Metropolitan Chain	9,065,382	1,152,692	11.3	....	....	....
G. C. Murphy Co.	17,498,023	+1,177,371	+11.2	660,639	236,530	26.3
W. T. Grant Co.	71,050,393	+5,602,096	+8.5	....	....	....
Consolidated Retail Stores	21,789,362	331,750	1.5	....	....	....
Dominion Stores, Ltd.	24,118,586	522,597	2.1	530,808	59,741	1.0
Spiegel, May, Stern (apparel)	14,997,652	8,924,253	37.3	—2,257,613	3,975,522	Def.

Easy Money and the Bond Market

Wide Spread Between Bond Yields and Short Term Money Rates Foreshadows Higher Bond Prices

By William Knodel

While short term credit is abundantly available at extremely low levels, not only here, but in nearly all of the great financial centers of the world, long term credit is scarce. Bond yields are therefore currently more than liberal and the stage is set for the bond buyer to secure attractive return with not far distant prospects of price appreciation.

ONE of the anomalies in the present money market is the wide discrepancy which exists between short term interest rates and long term interest rates. Ever since the crash in the stock market in the Fall of 1929, rates on short term loans have fallen slowly but consistently, largely as a result of the steady accumulation of liquid funds incident to the slowing down of business. Indeed, interest rates on short term loans such as call loans and 4 to 6 months commercial paper are at the lowest level seen for many decades. Long term interest rates on the other hand, as represented by bond yields have resisted tenaciously the trend to lower rates, consequently the spread between the long and the short term rates has steadily become wider. From the bondholders' point of view this development has been disappointing and to many of them the question naturally arises whether any particular significance should be attached to it.

In attempting to explain this phenomenon, consideration must be given to certain fundamental facts concerning the money market. Three divisions in this market may be distinguished, each with its own peculiar characteristics and its own separate set of influences working upon it. The duration of the loan and to a lesser extent the degree of liquidity, are the essential points wherein the three divisions differ. Call money is the most liquid, being made on a day to day basis, but loans are confined almost entirely to stock exchange collateral. The intermediate division is comprised of commercial paper, bankers' acceptances, and time loans on security collateral and may extend in time up to six months, or perhaps somewhat longer. The third division comprises the long term loans which run from several years to many years and frequently take the form of bond issues of corporations.

The shorter the term of the loan the quicker does it reflect the condition of the money market and the wider is the variation over a period of time. Call money is the most susceptible of the money divisions, commanding high rates when money is tight but often going begging during the recovery stage of the credit cycle. At the present time, for instance, there is an extreme ease in call money, the renewal rate of 1½% on the New York Stock Exchange being lower than at any time since 1908. In March, 1929, call money rates had actually risen as high as 20%, while the renewal rate for most of the year was well over 8%.

Interest rates on loans for intermediate periods have likewise dropped to record low levels. Rates on 60-90 day time loans, for instance, are at the lowest level for more than 35 years with quotations down to 1½ @ 2¼% and compares with an average high of 8.94% for September, 1929. Prime commercial paper of 4-6 months' maturity is down to 2½% as against an average high of 6.13% in the Fall of 1929. Not since 1895 have these rates been so low. A further evidence of the extreme ease in the money market is the rediscount rate of the Federal Reserve Bank of New York, which, in a sense, is the bellwether of the Reserve system, reduced to 2% in December of 1930—the lowest rate in effect since the Federal Reserve System was organized.

The chief reason for the current ease in call rates and on the intermediate rates enumerated above is the extraordinary accumulation of liquid funds which finds a dearth of borrowers on the demand side. The extensive liquidation in the stock market last year and the slump in general business activity have combined to cause this condition. The situation, however, is unquestionably a temporary one and will obtain only until recovery in the securities markets and in general business gets well under way.

In contrast with the rapid decline in call money and on intermediate credit, long term rates have budged but little. Bond yields as yet do not reflect the abundance of funds which is flooding the short term markets. The lack of confidence on the part of investors in the longer term mediums of investment, however, is readily understandable in view of the extensive declines in the stock market during 1930 which makes them hesitate to place their capital in long term form. In the real estate and building field, hectic conditions in the last year or so have made lenders of money extremely cautious. When liquidation has fully run its course, it is to be expected that this condition will change. Indeed, in previous periods of depression one of the preliminary developments foreshadowing a period of recovery was improvement in

the bond market, signs of which are currently discernible.

Low money rates in the short term market are only slowly reflected in the rates for longer term credit, which after all are governed more by average conditions over an extended period rather than by temporary stress or ease in the market for short term maturities. In other words, the time element in long term loans acts as a balance wheel to steady the price which this type of credit can command, and the longer the loan has to run to maturity the less is the tendency for the rate to fluctuate.

Will Long Term Money Rates Become Easier?

A fundamental trend in interest rates, whether upward or downward, nevertheless, will gradually make itself felt in long term loans. If the present extreme ease in the short term market reflects a basic trend in money rates, it will inevitably sooner or later manifest itself in the long term market.

Present indications of course suggest a really fundamental change in trend and a long drift toward lower interest rates. But the piling up of liquid funds as a result of the deflated condition of the stock market and the low ebb of general business activity are factors to be considered before placing too much faith in this condition. The real test will come when business has started to pick up materially and together with the stock market will make greater demands upon the money market. Then if money continues relatively easy and is in ample supply, there will be good reason to believe that the situation does reflect a fundamental trend toward lower interest rates.

In appraising the present situation in the bond market and its prospects, let us marshal a few significant facts which will indicate which way the wind will blow. First of all, let us make a few comparisons. In 1920, the average rate during the year for commercial paper (60-90 days) was 7.37% but dropped steadily until in 1922 the average rate was 4.43% a decline of some 40%. During the same interval, the yield on 60 high grade bonds dropped from 5.88% to 4.94%, a decline of 16%, or stated another way, the average price rose from 80.8 to 92.4, or 11.6 points.

In the 1929 to 1931 period, which is comparable to this previous period, we find that although commercial paper rates dropped from an average of 5.78% in 1929 to 2.63% in February, 1931, or approximately 55%, the yield on bonds dropped only 4% from 4.64% to 4.45%. Bonds gained in price only 3 points against 11.6 points during the 1920-1922 period. It is quite evident, therefore, that bond yields and bond prices have not as yet reflected the current ease in the money market to the same extent as in the comparable 1920-1922 period. The spread between bond yields and short term rates as reflected by commercial paper is greater at present than at any time in more than a decade.

The savings of the country provides the source of the funds destined for the bond market. Although a considerable portion of this finds its way into the stock market, bonds still are the backbone of the security lists of the conservative investors. The sharp rise in savings banks deposits in 1930 would indicate, if anything, that the rank and file of investors has been reconverted to the creed of conservative investing. The total deposits held by 30 representative savings banks in the Second Federal Reserve District increased 12% during 1930, which compares with an average annual increase of about 5½% in the four prior years.

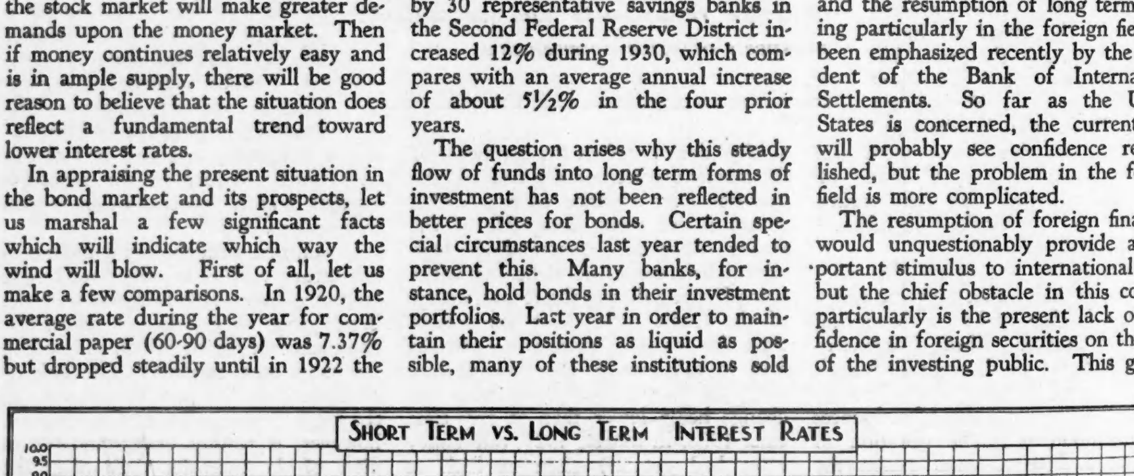
The question arises why this steady flow of funds into long term forms of investment has not been reflected in better prices for bonds. Certain special circumstances last year tended to prevent this. Many banks, for instance, hold bonds in their investment portfolios. Last year in order to maintain their positions as liquid as possible, many of these institutions sold bonds from their holdings, but probably most of this type of selling is now over.

Bond Status Improves with Declining Commodity Prices

Finally, investors appreciate the benefits derived from the steady income which can be obtained from high grade bonds, in contrast with the fluctuating income from common stocks. The long downswing of commodity prices, moreover, has strengthened the position of bonds in two ways. Bond interest, of course, constitutes a fixed charge on the earnings of a company, and as there is a tendency for profits to be on a permanently lower basis with lower commodity prices, the bondholder's position is enhanced at the expense of the equity holder. But more than this, with the income received from bonds, the holder can go out and purchase more with it than he could when prices of commodities were higher. Factors of this nature are slowly but nevertheless surely felt as an influence in swinging investors toward bonds as investments.

The overabundance of short term money is not a local condition because all the leading financial centers of the world are swamped with this type of funds. The problem is international in aspect and has caused a general scarcity of long term credit all over the world. The release of these short term funds and the resumption of long term lending particularly in the foreign field has been emphasized recently by the president of the Bank of International Settlements. So far as the United States is concerned, the current year will probably see confidence reestablished, but the problem in the foreign field is more complicated.

The resumption of foreign financing would unquestionably provide an important stimulus to international trade but the chief obstacle in this country particularly is the present lack of confidence in foreign securities on the part of the investing public. This general



distrust of the foreign bond market, moreover, has been made more acute by recent political and economic unsettlements in various parts of the globe. To condemn all foreign bonds for this reason, however, is clearly the result of an inadequate understanding of particular situations in each different country concerned. Sharp declines have occurred in the issues of a number of foreign countries but on the other hand, not a few have shown a surprising degree of stability and others are susceptible to early recovery as conditions improve.

Revival in the Bond Market in 1931

In 1930, bonds re-established themselves as the dominant medium for new financing and so far during 1931 have maintained their supremacy. Investor confidence in sound, high grade issues is rapidly being built up again and as this proceeds, bond financing will increase as the more liquid forms of capital funds flow to the more fixed form.

The Soldier Bonus plan will necessitate a certain amount of financing on the part of the Federal Government, together with its normal treasury operations, and many states and municipalities will come into the bond market with issues to finance their public works programs. The largest bond issue in its history recently floated by the City of New York at a record premium is a case in point.

Domestic corporations, particularly the railroads and the public utilities, have also come into the market with large bond issues partly for the purpose of refunding other issues which shortly become due but also for new funds to be used in their business. The issues are almost entirely of the so-called high grade investment type, i. e., underlying mortgages. A resumption of foreign financing is also likely within the next two or three months. Conditions abroad have improved markedly and gradually the capital markets here will be opened to foreign borrowers, both government and corporate, although on a more discriminating basis than in 1926 and 1927.

With a gradual recovery in business under way, investor confidence will improve and a large part of the nation's savings will flow into the bond market for desirable investments. This is probably the chief thing necessary at the present time and once established the bond market will undoubtedly reflect the easier money conditions prevailing and stage an uptrend that will make current commitments in sound bonds a profitable and safe procedure.

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955..	273.3	3.77	110	99	4.0	4.1
New York Central Deb. 6s, 1935........	630.2	1.54	110	107	5.6	4.3
Great Northern Gen. A 7s, 1936.....(b)	139.8	1.98	....	112	6.3	4.5
Rock Island-Frisco Terminal 1st 4½s, 1957 ....(d)	....	X	102½T	99	4.6	4.6
Pennsylvania 5s, 1964..................	....	1.81	102T	105	4.8	4.7
Central Pacific Guar. 5s, 1960........(a)	....	1.91	105 ('35)T	105	4.8	4.8
Illinois Central 4¾s, 1966............	....	1.50	102½ ('36)T	96	4.9	4.9
Wabash Ref. & Gen. 5½s, 1975.....(a)	61.6	1.52	105A ('35)	99	5.1	5.1
Southern Railway Dev. & Gen. 6s, 1956.	133.8	1.51	....	112	5.4	5.2
Chic. & W. Indiana 1st Ref. 5½s, 1962..	49.9	X	105	105	5.2	5.2
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	1.60	105	106	5.2	5.2
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.35	105A	94	5.3	5.3
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.12	110 ('36)	113	5.3	5.3
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 ....(b)	14.2	X	107½T	108	5.5	5.3
Balt. & Ohio Ref. & Gen. 6s, 1995...(a)	285.3	1.64	107½A ('34)	110	5.5	5.5
Central of Georgia Ref. 5½s, 1959......	30.9	1.39	105A ('34)	98	5.6	5.6

Public Utilities

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Pacific Gas & Elec. Gen. Ref. 5s, 1942..	29.0	2.26†	106T	104	4.8	4.6
Utah Power & Light 1st 5s, 1944.......	....	2.83†	105	102	4.9	4.8
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.51	106T	106	5.2	4.9
Montana Power Deb. 5s, 1962.......(a)	33.3	3.14†	105T	101	4.9	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87†	....	100	5.0	5.0
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	1.53	105	100	5.0	5.0
Columbia Gas & Elec. Deb. 5s, 1952....	....	3.27	105T	100	5.0	5.0
Arkansas Power & Lt. 1st & Ref. 5s, 1956 ....(c)	2.0	2.45†	105	99	5.1	5.1
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" ....(a)	8.4	2.20†	110	107	5.6	5.4
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.42	110	105	5.7	5.7
New Orleans P. S. 1st & Ref. A 5s, 1952 ....(a)	9.7	1.32†	104	91	5.5	5.7
United Lt. & Rys. 1st Cons. A 6s, 1952 ....(b)	11.3	1.46	(N)	103	5.8	5.8
Standard Gas & Elec. 6s, 1935..........	432.2	1.60†	103	101	5.9	5.8
Standard Gas & Elec. 6s, 1966.......(b)	432.2	1.60†	105T	100	6.0	6.0
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.53†	105	83	6.6	7.0

Industrials

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Midvale Steel & Ord. Conv. Coll. 5s, 1936 ....(a)	....	4.34	105	102	4.9	4.6
Allis Chalmers Deb. 5s, 1937........(a)	....	6.29†	103T	102	4.9	4.6
Gulf Oil Deb. 5s, 1947...............(c)	....	13.04†	104AT	103	4.8	4.7
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	2.93	105T	101	4.9	4.9
Sinclair Pipe Line 5s, 1942...........(a)	....	6.33†	103	101	4.9	4.9
National Dairy Prod. Deb. 5¼s, '48.(a)	....	12.74†	105T	101	5.2	5.2
Purity Bakeries 5s, 1948.................	0.6	7.74	103½	97	5.2	5.3
Chile Copper Deb. 5s, 1947............(a)	....	10.20†	102T	95	5.3	5.4
Amer. Cyanamid Deb. 5s, 1942..........	0.3	10.58†	100	95	5.3	5.6
International Match Deb. 5s, 1947...(a)	....	9.81†	109H	92	5.4	5.8

Short Terms

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Humble Oil & Ref. Deb. 5½s, '32...(b)	....	13.59†	102½A	102½	5.4	3.8
Smith (A. O.) 1st S. F. 6½s, 1933..(a)	....	34.45†	101T	103	6.3	5.2
Middle West Utilities 5s, 1933..........	881.6	1.39†	101½	98	5.1	6.0

Convertible Bonds

	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atch., Top. & S. F. Deb. 4½s, '48..Com.@166.6	3.77	102	117	3.8	3.2
N. Y., N. H. & Hart. 6s, '48.......Com.@100	1.92	....	117	5.1	4.6
Baltimore & Ohio Conv. 4½s, '60...Com.@120(h)	1.64	105	96	4.7	4.7
Texas Corp. 5s, 1944...............Com.@70	18.08†	102T	100	5.0	5.0
Chesapeake Corp. Col. Tr. 5s, '47...C. & O.@106	2.84†	100	100	5.0	5.0
Inter'l Tel. & Tel. Deb. 4½s, '39...Com.@63.9	3.07†	102½	95	4.7	5.2
Chic., Rock Island & Pac. 4½s, 1960	1.58	105 ('36)T	87	5.2	5.4
Amer. Inter'l Corp. Deb. 5½s, '49...Com.@80	1.49†	105	95	5.8	5.9
Utilities Pwr. & Lt. 5s, '59, w.w. (L).	1.62†	105T	74	6.8	7.1
Assoc. Gas & El. Conv. 4½s, '49 (K).	1.69†	103T	72	6.3	7.3

All bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. * On total funded debt.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (K) Convert. into 17½ shares of Class "A" stock. (L) Rights to purchase 7 shs. Class "A," 3½ shs. "B" (v. t. c.), and 3½ shs. Common to 2-2-34 @ $577.50 for the unit. (N) Not callable until 1948. † On basis of 1929 earnings.

BANGOR & AROOSTOOK

Record High Earnings in 1930

Depression Year No Handicap to New England's Potato Carrier—And Prospects Are Still Bright

By PIERCE H. FULTON

THE "Potato Railroad." What is it? The Bangor & Aroostook, with a little over 600 miles of operated line, of which the stretch between Searsport and Van Buren, Me.—260 miles—is main line, all the rest of the 340 miles being branches.

In 1929, in spite of the sharp decline in railroad traffic in this country in October and November, this little road made new high record earnings. It was still more notable that, notwithstanding the general business depression, another new high record, both as to gross and net, was made in 1930. More than that, Bangor & Aroostook was the only railroad in the United States that was able to make such a showing.

Three Main Reasons

"How did all this come about?" someone naturally will ask. There were three outstanding reasons, and still others that played their part. First of all, the potato tonnage, which normally contributes between 30 and 40% of the road's total carload freight movement, increased materially in both 1929 and 1930. In 1928 it was 30,244 cars, in 1929 there was an increase of 10,000 cars to 40,244, while for 1930 the figure was further expanded to 48,000 cars.

Secondly, this record outward movement of potatoes for the two successive years naturally resulted in a correspondingly larger inward movement of all the things that the prosperous potato farmers of Aroostook County, Me., were inclined and able to buy. Then, too, there was a further development of the pulp wood, hydro-electric and other industries that had been located along Bangor & Aroostook's lines, quite largely because of the enthusiasm and push of Percy R. Todd, president, and his associates.

This suggests the third reason for the outstanding success of Bangor & Aroostook in recent years. In Mr. Todd the company not only has a president who puts his whole soul into the running of his railroad, but also one who inspires associate officers and the entire working force to do the same thing. He says that everyone on the payroll is a solicitor of traffic. More than this, he believes in keeping operating expenses to the minimum consistent with good management and also in acting conservatively with respect to dividends. More about these points later.

It should be noted before going further in an analysis of the position and earning power of this remarkable little road that it is not merely a "potato railroad." By that characterization the impression is conveyed that potatoes contribute the largest part of its total revenue freight traffic, and that, with the failure of the potato crop, Bangor & Aroostook would have practically no freight business.

Inbound Freight

The facts are these: The company's classified tonnage for 1930 is not yet available, but for 1929 potatoes contributed 813,435 tons out of a total movement of 846,478 tons of products of agriculture. In other words, in that particular year, potatoes supplied a little less than 30% of the total freight traffic. In 1929 the road moved 339,566 tons of pulp wood, 325,775 tons of manufactured goods and miscellaneous commodities and 235,742 tons of bituminous coal. It is safe to assume that something like the same proportion between these leading commodities was maintained in 1930.

Prosperity begets prosperity. For several years the farmers of Aroostook County, Me., not only have had a splendid yield of potatoes, but have been able to sell them at high prices. With a part of the proceeds they have bought many commodities that in the aggregate have figured prominently in the inbound freight traffic of Bangor & Aroostook.

The money that those farmers had to spend made local business good also. Merchants along its lines bought and brought in much larger quantities of goods than they would have done if the potato industry had been bad. Outside business interests prefer to locate in a prosperous section. This fact has contributed to the establishing of new industries in Bangor & Aroostook's territory on a steadily increasing scale in the last few years.

Pulp, Paper and Potatoes

President Todd calls attention to this feature of the company's position, with pardonable pride. As shown by the figures already noted, the pulp wood industry is conducted on a large scale. Paper and textile plants are operated extensively also. Hydro-electric plants have been set up more and more each year. To run all these industries requires a large amount of coal. In 1929 Bangor & Aroostook hauled in 235,742 tons of bituminous coal, which represented all but 44,277 tons of the company's total movement of products of mines.

But there is an interesting story back of these favorable results in the shape of traffic and earnings. It has been hinted at already. Some years ago, Percy R. Todd, having decided to sever his connection with a much larger railroad, thought he would like to take hold

of a small line and see what he could do with it. He selected Bangor & Aroostook. Having been elected president he gave to it all that was in him and inspired his associate officers and all the employees to do likewise. President Todd has not spent a lot of time complaining that his road was not receiving a proper division of rates from the larger roads and systems with which it connects, nor in running to Washington to tell the I. C. C. that one of those roads should take over Bangor & Aroostook. Rather, he has devoted his entire time and energy to developing the property, and likewise the territory, which its 600 miles of line serves.

What have been the major results? Good service, a steady increase in the industries set up and greater interest and pride locally, both in the railroad, the industries that it serves and in the whole section, in addition to the remarkable earnings, which are a matter of record.

Merger Possibilities

While Boston and New York bankers are understood to have a large financial interest in Bangor & Aroostook and are represented on its board of directors and corps of officers, it is nevertheless regarded by the potato farmers and owners of local business enterprises, as a property that belongs to them and to that section of the State of Maine.

Bangor & Aroostook has been spoken of as a small road having "merger possibilities." So it has. This suggestion refers to the seeming naturalness of placing the property with a larger system and the probable favorable effects, for a time at least, upon the shares, of the taking of such a step. As a matter of fact, along with Maine Central, it has been allocated in merger discussions to Boston & Maine. Only recently in Boston President W. W. Atterbury of the Pennsylvania R.R. advocated placing Bangor & Aroostook and Maine Central with Boston & Maine and New Haven.

There is a good reason for believing that while Boston and New York banking interests probably would favor such a consolidation, if the terms for Bangor & Aroostook securities were satisfactory, the people in the territory which its 600 miles of line serve, would like to have it kept as a local property, with Percy R. Todd at the head, as long as he might be willing and able to serve.

The loyalty of officers and employees and their keen interest in the road have been stressed in this article. Both are highly important to the success of such a railroad—and of any railroad, for that matter. Would they continue at the same high pitch if the property were to be merged with Boston & Maine? It would seem safe to give a negative reply.

To digress a bit. What Mr. Todd, with his policy, and with the help of his associate officers and fellow workers has accomplished on Bangor & Aroostook, is not a strong argument in favor of placing the small railroads of the United States—at least the best ones—or those capable of being made the best—with the large systems, as proposed in the I. C. C. general consolidation plan made public in December, 1929. It must be admitted that all the railroads of the size of Bangor & Aroostook, and smaller, are not capable of being made as big carriers of traffic and as big earners as it has become under the present efficient management. On the other hand, there is good reason for believing that many small roads that are now operated more or less indifferently, and on which the results are correspondingly unsatisfactory, could be made prosperous and much more important factors in the development of the sections that they serve if handled as the Bangor & Aroostook is. "Back to the small railroads" might be a slogan for dissatisfied officials of big systems.

It seems equally certain also that if such roads were joined to large systems the working forces would not have the same interest and pride that is now displayed in not a few instances, and that the patrons would lose interest also because those lines no longer would be their local enterprises. Still it is probable that, in due time, these lines and still smaller and less important ones, will be joined to the large systems with which they have physical connections. They will become feeders of those systems. Will they as such be as large earners as when conducted as local and independent enterprises? It is doubtful.

Of course there has been a rather general clamor on the part of the so-called short lines as a whole to be consolidated with the large systems. This has come mostly from the owners of smaller and less important roads than Bangor & Aroostook. Not a few of them ever have served any real purpose. Some were built only to sell and others to haul out timber from tracts that were being cleared. Their owners are eager to unload through the medium of the I. C. C. general consolidation plan.

Well Maintained Properties

But to return to the Bangor & Aroostook as it now is. The company was organized in 1891 under Maine laws. As already stated, the main line runs from Searsport to Van Buren, Me., and is only 260 miles long. Branches make up a total of 340 miles, or 600 altogether. In the 40 years that have intervened, several short roads have been acquired from time to time to develop the territory and to enable the company to give better service. Bangor & Aroostook owns all the stock of the Van Buren Bridge, which connects it with the Canadian National Railways by an international bridge between Van Buren and St. Leonard, Province of New Brunswick, Canada.

The Underground Crop That Contributes to Bangor's Revenue

The physical property of Bangor & Aroostook has been well maintained, and still operating expenses have been kept to a minimum. In recent years it not only has produced more traffic on its own lines, but also received much more from connecting lines, largely merchandise brought in by the prosperous farmers and the business enterprises to which atten-

(Please turn to page 723)

PUBLIC UTILITIES

AMERICAN POWER & LIGHT CO

Strongly Diversified and Prepared for Expanding Business

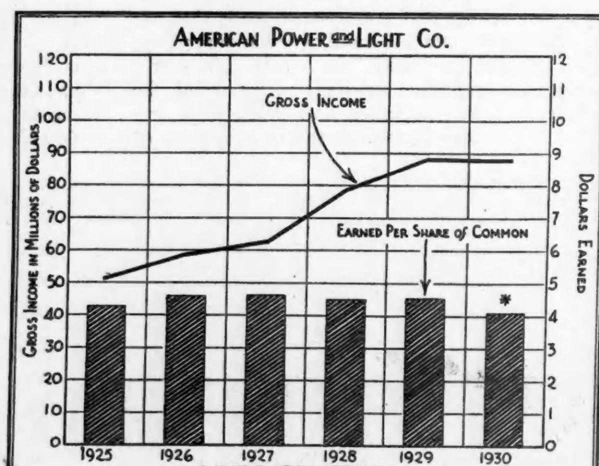
Under Electric Bond & Share Supervision, System Makes Steady Progress

By FRANCIS C. FULLERTON

AS one of the oldest of the quartet of public utility systems under Electric Bond & Share supervision, American Power & Light Co., in its growth since the date of its formation in 1909 typically exemplifies the development of the utility holding company in the United States. Starting from small beginnings, American Power & Light has gradually extended its scope and activities until at present operations are carried on in twelve different states, in the South, Southwest, North and Northwest.

The wide geographical diversification of its properties, of course, stood the system in good stead during a period of depression such as we have been passing through, but diversification has been carried beyond this to include also consumer demand. The third point of the system's strength lies in the concentration of its business in the electric power and light field, which is the most profitable as well as the one showing the most steady increases over a long period of years. Thus, despite depressed business conditions and special adverse conditions affecting actual operations, the gross and net earnings for the full year 1930 were only slightly below the 1929 levels.

American Power & Light furnishes utility services to 1,124 communities in twelve states all with the exception of Florida located west of the Mississippi River and includes in addition to this state, Arizona, Idaho, Iowa, Kansas, Minnesota, Montana, Nebraska, Oregon, Texas, Washington and Wisconsin. The total population in this territory is approximately 3,426,000. Among the more important cities served are Duluth, Superior, Omaha, Council Bluffs, Wichita, Fort Worth, Phoenix, Miami, Portland (Oregon), Spokane, and Butte.



Diversification Aids System

In following out its expansion policy, the company has striven to develop along sound lines and to achieve balance physically as well as financially. Probably the biggest step in this direction was taken in 1928 when the system acquired control of Montana Power Co. and Washington Water Power Co. These acquisitions placed American Power & Light in the dominant position in the Northwest. These properties were largely hydro-electric and as is usually the case under such circumstances, the most efficient operations are possible only in conjunction with other properties in a large diversified system. Thus, when output of the hydro properties is low, due to seasonally low water conditions or through other circumstances, the supply is augmented from the other adjacent properties of the system, while on the other hand, if water conditions make it feasible to develop more power than is ordinarily used, the excess is utilized in the other areas of the system.

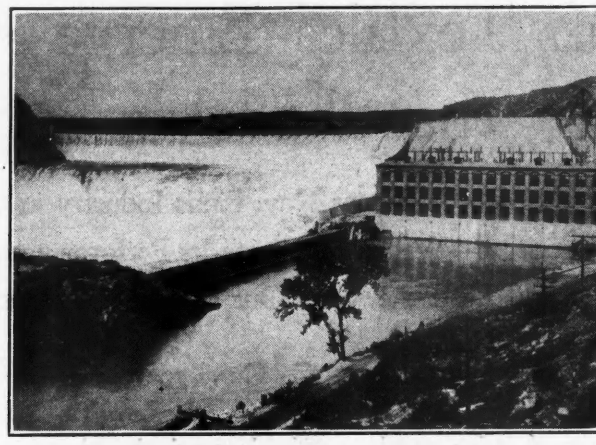
Through interconnections the low cost hydro-electric current generated by the Montana Power Co. and the Washington Water Power Co. can be more efficiently distributed with consequent savings in operating expenses. Moreover, the preponderance of industrial business of the two formerly independent companies resulted in a low return in gross revenues per kilowatt-hour of output, so that consolidation with the other properties of the system in this and adjacent territory permits an advantageous diversification with domestic type of service which carries higher rates.

The policies of the Electric Bond &

Share Co., which supervises the operations of American Power & Light Co., are directed toward the future rather than confining themselves only to the immediate problems on hand. Properties are constructed to take care of the growing requirements over future years, and moneys spent for this purpose naturally do not fully reflect themselves in the earnings immediately. However, as the actual increase in load develops, the additional business can be handled with only a slight increase in expenses, but with great benefit to the net earnings.

This policy has been followed with respect to the American Power & Light Co. and of course indicates that when business in its territories revives, the system will be fully able to meet increased demands without the necessity of large additional expenditures for greater facilities. Net earnings will therefore experience an increase greater in proportion than the increase in gross earnings. An excellent illustration of how this works out is the case of the Florida properties. In this particular territory, the system had built up its facilities of service to a point greatly beyond the immediate requirements, in anticipation of a rapid development which was, however, slow in being realized. The unusual conditions there hampered operations for a time, but these circumstances are gradually being overcome and good progress is being made under the business conditions now prevailing. These particular properties for the twelve months ended September 30, 1930, showed an increase in gross earnings of 3% but net earnings increased 12% over the corresponding period of the preceding year. A few other instances may be cited. The Nebraska properties had an increase of 11% in gross but net increased 20% and the Arizona properties scored a gain of 17% in gross and 26% in net.

The composite result of the system's diversification and its effectiveness during a period of depression is strikingly shown in the operating results during 1930. The most recent earnings report covers the twelve months ended December 31, 1930, and shows consolidated gross revenues of $87,087,661 a slight decrease, about 1.3%, from the $88,222,149 reported by the system in 1929. The net earnings of the subsidiaries before depreciation increased 0.4% to $45,502,455 from $45,310,186 the year before. The net available for American Power & Light common stock after all prior charges including depreciation amounted to $9,274,141 for the 1930 period as against $11,587,746 the year before, equivalent respectively to $3.20 on 2,894,170 no par shares of common stock for the year 1930, which compares with $4.58 a share on 2,529,712 shares in 1929.



Great Falls Power House and Dam of Montana Power Co., Subsidiary of American Power & Light

Besides the unfavorable business conditions during 1930, operations were affected by drought which increased the operating expenses of certain subsidiaries with major hydro-electric facilities. The system's services in the Northwest were the most severely affected by these combined unfavorable factors. In Montana particularly the depression in the copper industry forced curtailing or closing down of activities with consequent loss of industrial power load in this territory. This development, however, is of a temporary nature and the situation is quickly susceptible of improvement when the copper industry is again on an active basis.

Novel Financial Plan

The method adopted in financing the acquisition of Montana Power Co. and Washington Water Power Co. in 1928 was not only novel but was of special significance to the common stockholder. The procedure involved the issuance of limited income securities only and although this increased the fixed payments ahead of the common stock, the latter stood to benefit from the greatly enhanced gross revenues with no corresponding dilution in its per share equity. On the basis of the original acquisition, part of the payment in preferred stock was in the nature of a premium the dividend requirements on which were purposely reduced during the first few years after the acquisition of the properties but subject to gradual increase until the full dividend is payable. An arrangement of this sort was based on the probabilities of a continued upward trend in earnings from these properties, and the benefit to the common stockholders will materialize when earnings have caught up with the additional dividend requirements on the preferred.

This financing scheme explains the reason for the various series of preferred stocks of the company. All of these issues of preferred are on a par with respect to preference in liquidation and cumulative dividends ahead of the common, but vary as to dividend rates. Specifically, there are three different preferreds, any one of which commends itself to investors seeking the safety and income of this type of equity.

(*Please turn to page* 722)

Operating Statistics—American Power & Light Co.

	Dec. 31, 1925	Dec. 31, 1926	Dec. 31, 1927	Dec. 31, 1928	Dec. 31, 1929
Kilowatt Hour Output—M (incl. power purchased) ...	1,656,754	1,948,992	2,132,357	4,729,813	5,189,903
Gas sent out—M cu. ft......	10,475,567	7,889,188*	8,045,764	7,039,473*	5,915,890
Electric consumers	451,442	513,935	545,981	679,886	708,726
Gas consumers	163,822	168,977	172,860	127,714*	130,679
Population served	2,670,000	2,925,000	3,062,000	3,345,000	3,426,000
Number of communities served	536	659	790	1,001	1,124

* Decrease due to sales of gas properties.

INDUSTRIALS

Cotton Textiles Emerge From the Shadows

Long Period of Readjustment Now Finds Industry in Greatly Improved Position—Will It Duplicate Its Performance of Ten Years Ago and Lead the Way Out of General Depression?

By Martin C. Crawford

DURING the severe depression of 1921, the textile industry was among the first of the industries in this country to recover and lead the way back to prosperity. A decade later finds the country again in the throes of a severe depression and again the textile industry is giving signs of leading the revival to better times.

Strangely enough, while the textile industry seems to do relatively well during the late stages of a period of depression and the early stages of a period of recovery, the industry as a whole cannot be said to have had its commensurate share of prosperity in the last decade. Indeed, if anything, during most of this intervening period profits were possible only to the most favorably situated units, but the majority were almost constantly showing in the red.

Has the industry readjusted itself sufficiently so that it will carry through with the recovery it is currently experiencing, or is this latter merely a flash in the pan briefly interrupting the long down trend, with the basic turn for continued improvement still some time away?

Of the several divisions in the textile industry, cotton is probably the most important. It is in this division that improvement has been most pronounced, in sentiment and actually as well. The trend since the summer of 1930 has been steadily upward and although current operations are still appreciably below what may be considered normal, the establishment of a sharp upward trend at a time when activity in most other lines of business is decidedly depressed holds significance.

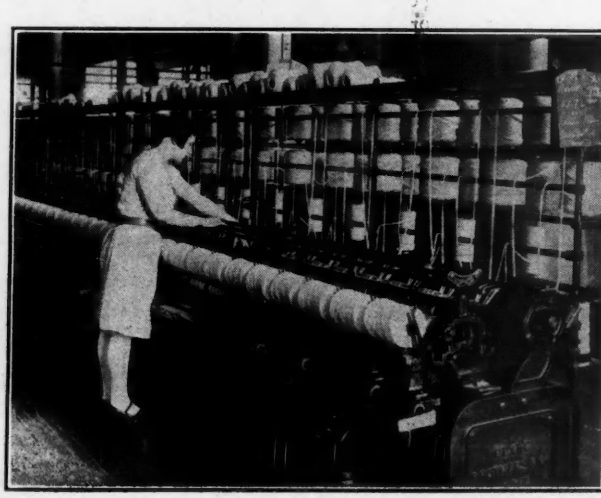
Overproduction Ruins Profit Margins

In attempting to glimpse into the future of the cotton textile industry the best approach is perhaps through a study of the past conditions prevailing therein and determine what the future holds through the trends revealed. The industry is basic to the needs of everyday life. Not only must people have clothes, but the makers of a thousand things must have cloth for their manufacture. An industry so basic as cotton textiles cannot permanently exist without profitable operations by a majority of its members.

The chief trouble besetting the industry in the past seven years has been overcapacity and overproduction rather than diminishing demand. Overproduction is ruinous to the price structure, and profits vanish for all of the units except the most efficient. For instance, even during a period of relatively good business in the industry, the years 1928 and 1929, when activity was considerably above the average, the available data indicates overproduction. Figures on the output of standard cloth from mills which account for about 40% of the total cloth made indicate that actual output was approximately 7,091 million yards, while actual shipments were 6,966 million yards.

While overproduction thus amounted to only 1.8%, this slight infraction of economic law was sufficient to cause the exacting of a penalty in the shape of price concessions all out of proportion to gains achieved by way of lower production costs. If these mills had run at peak production during this period, they would have overproduced their market to the extent of 12.1%. The threat held over the industry by this potential overcapacity no doubt exerts a depressing influence, which can be overcome only through a deliberate effort to keep output gauged to the market.

The 1930 statistics reveal the effects on the industry of the general business depression, but certain corrective influences began showing themselves. Production of cotton cloth amounted to only 2,820 million yards a



Galloway Photo

drop of 20% from 1929 output. Shipments amounted to 2,917 million yards, a drop of 15.2% from the year before but were 3.4% above the amount produced during the same year, 1930. Inventories thus were being reduced and operations were conducted on the much sounder basis of keeping output in line with demand.

The corrective stage of 1930 is currently yielding to one of improvement and it remains to be seen whether the industry will carry through so that it will show operations on a sustained profit basis. Shipments for the first two months of 1931 aggregated 459 million yards or 10.8% in excess of the production of 414 million yards. But more important than this is the rapid recovery in demand now under way. Sales during this period amounted to 566 million yards, a gain of 5.6% over the corresponding months of 1930, with the month of February alone showing an increase of 34% over the same month last year. Sales, therefore, are much greater than shipments, which in turn exceed by an appreciable margin the output. Thus, the industry is in a fundamentally strong position which promises better things at least for the near future.

Two Leading Cotton Textile Companies

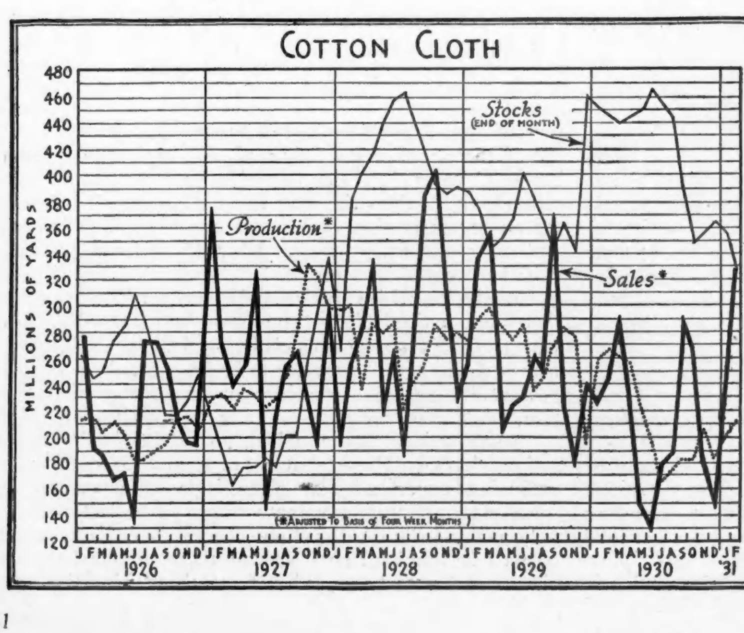
	Cannon Mills (Year 1929)	Pepperell Mfg. (Year ended June 30, 1930)
Net Sales	$20,464,092	$18,246,090
Operating Profit	4,416,451	NF
Net for Common (incl. other inc.)	4,160,067	660,002
Common Shares Outstanding	1,000,000 (no par)*	105,908 ($100 par)*
Earned per Share—		
1930	NF	$6.23(1)
1929	$4.16	10.32(1)
1928	$2.45	9.52(1)
Recent Price of Common	23	78
Dividend	$1.60	$8.00
Yield	7.0%	10.2%

NF—Figures not available. * Sole capitalization. (1)—Years ended June 30th.

Cannon Mills manufactures cotton towels, yarns, tire fabrics, sheetings, rayon fabrics, dress goods, drapery fabrics, etc. Makes about 50% of towels used in U. S., which produces from 60% to 70% of company's revenues.

Pepperell Mfg. makes cotton sheetings, flannels, drills, shirtings, jeans, denims, blankets, chambrays, twills, sateens, etc.

The overcapacity of the cotton textile industry is not the result of a huge expansion within comparatively recent years. Rather, it is a heritage from a previous period of over-optimism, but this condition has gradually been correcting itself. The peak capacity in the industry was reached in December, 1924, when the total number of spindles in place was 37,939,772. Every year since then has seen the number reduced, indeed, at the net rate of about 875,000 spindles annually, or 2.4%. Five years later, in December, 1929, the number was 34,195,464 and at present is probably below 33,000,000.



The conditions in the industry during this period were not conducive to expansion nor even to maintaining it at the peak level it had attained. Replacements and renewals were entirely inadequate to offset the effects of depreciation and obsolescence. Since December, 1924, the number of new spindles installed in American mills including new building, additions and replacements were at the average annual rate of only 325,000. If this latter figure is added to the net average annual decline of 875,000 spindles, we find that the total number of spindles that find their way to the scrap heap is really about 1,200,000 every year.

If the total number of spindles in place is divided by this latter figure, the average life of the spindle is established at about 30 years. At the present rate of 325,000 new spindles a year, somewhat over 100 years would be required to reconstruct the present plant. Clearly, the current rate of replacements is entirely inadequate and must result in a salutary passing of much machinery now in place. Thus, as the production capacity is gradually contracting, the industry tends to overcome the chronic condition of overcapacity and is steadily working itself into a stronger position.

A novel feature allied with stabilization in the industry is the organization of the General Cotton Corp., with the two-fold purpose of strengthening the mills which have a proper place in the continuing scheme of things, and the purchase for elimination of such plants which cannot be run profitably. In this manner, the vexing problem of the marginal producer will be met leaving the industry in a much improved position to achieve sustained prosperity.

The control of production capacity also hinges on the running time of the mills. The practice of operating mills day and night has increased average running time considerably and is largely the result of attempting to reduce production costs as low as possible, especially as the margin between cloth and raw cotton prices has become narrower. Agitation has been conducted for some time toward the elimination of night work for women and children and this progressive step has finally been taken. Aside from humanitarian reasons, the reduction in running time which this step causes will aid in abetting the overproduction evil. The arrangement is a voluntary one but 73½% of the total equipment in place has been committed to this policy.

The demand

(*Please turn to page 720*)

The Leaders and the Runners-Up

Which Is the Better Type of Investment, the Dominant Company or the Aggressively Rising Contender for First Place?—Past Experience Leads to One Conclusion; But What of the Future?

By J. C. Clifford

TURN to almost any of our large industries, then to the leading companies in the industry selected and it will be found that there is a dominant organization in the van, followed by a runner-up for this position, while the rest of the group although possessing varying degrees of excellence are in the mere matter of size scattered in the rear. This situation of the "big brother" and the "little brother" exists in profusion.

In the container field we find American Can and Continental Can, in electrical equipment are General Electric and Westinghouse, while in crackers National Biscuit and Loose-Wiles serve as excellent illustrations. Venture into merchandising and Sears, Roebuck is found to be the leader of the mail order division with Montgomery Ward the runner-up, while in the department store division there is Macy and Gimbel and in chain stores Woolworth and Kresge. The steel industry has its U. S. Steel and Bethlehem; sulphur its Texas Gulf Sulphur and Freeport Texas; soft drinks its Coca-Cola and Canada Dry; communications its American Telephone & Telegraph and International Telephone & Telegraph. There is Radio Corp. and Grigsby-Grunow, Columbian Carbon and United Carbon, Great Atlantic & Pacific and Kroger, Wrigley and American Chicle, Harbison-Walker and General Refractories, and so on to cite some of the more obvious illustrations. Interesting! you say, but of what practical value is it? Let us see

Testing the Theory

Suppose one were planning a diversified investment program, taking as a starting point the various industries of the country and from there working downwards from the most important factor in the field. Worthy representatives of the "big chief" and "little chief" motif are discovered immediately in almost every major industry with the exception of railroads, public utilities, automobiles and oil. The failure of the first two groups to conform might have been expected insofar as their size and importance depend more upon their position territorially than anything else. The second two appear to be just plain exceptions. True General Motors is the leader of the automobile industry but what of the runner-up? While in oil also, the runners-up for Standard of New Jersey leadership are too numerous and equal in size to be comparable with the situation in other industries. Despite these exceptional industries, however, the phenomenon of the "two brothers" is sufficiently common to excite comment.

Now suppose we take up the age-old investment council that it is the better policy to buy into the strongest unit in the field rather than some smaller company, and make a rough test of this theory even though to do so we are obliged to make a short trip through the realms of investment fantasy.

It is of course obvious that many of our largest companies have proved, by their very growth, extremely profitable investments over the past few years, but if the remotest possibility of "big business" being clumsy or unwieldy be acknowledged, then the way is paved for an argument that perhaps the second most important company would have been even more profitable. This is entirely logical on the grounds that there are indeed few "runners-up" which are not strong financially, well managed and of sufficient size to be important factors in their sphere of action, while apparently lacking only the mere size and dominance which go to make a leader. Unfortunately, in the somewhat superficial test given, this conclusion, although seemingly reasonable, is decidedly disproved and it may as well be admitted here as later that there appears to be considerable truth in the old investment platitude "buy the best," meaning the largest. This is not to say that some smaller company could not have been selected with great profit. In the light of actual developments, some of these lesser rivals could be shown to have been more profitable investments than the recognized leader in the field, but the average investor, lacking special information, and wishing to buy into the leaders in an industry will usually be found to have done better by purchasing stock in the largest of his logical choices.

The Six-Year Investment

That this is so may be seen from the accompanying table. It is supposed that an investment be made in each leader and the corresponding runner-up as of January 3, 1925. The year 1925, following the lead of many governmental departments, has been taken as a basis, for it is generally admitted that the World War years and those immediately following were abnormal ones, while any comparison with pre-war times is apt to pass beyond the bounds of probability to say nothing of the difficulty of discovering a series of companies which have retained their relative positions during the whole of the intervening time. It is considered that all stock dividends have been retained, while all rights were sold at a price about mid-way between their high and low. The one exception to the sale of "rights" occurs in the case of Montgomery Ward & Co., which in November, 1928, gave to its stockholders the privilege of subscribing for two new shares of stock at $17.50 per share for each share held. The price of these "rights" ranged between $270 and $195 each and as this offer on the face of it was an unusual one and more in the nature of a stock dividend than anything else, it is considered that the mythical investor took up his stock.

Had this assumption not been made

it would have resulted in an obviously distorted picture that would have been an unfair basis of comparison. The other "rights" offered of by Montgomery Ward in 1929, even though the price was a high one, averaging about $24, were considered sold.

Finally, it has been held that every investment in the table was closed out as of January 2, 1931. The percentage return on the original investment is shown in the last column of figures, which due to the fact that certain items have been taken to the nearest dollar and that no attempt has been made to "compound" any of the return, cannot be taken as strictly accurate, although it is doubtless sufficiently so for practical purposes.

In connection with the percentage return on original investment it should be remembered that a commitment in a good quality fixed income bearing security would have resulted in a return between 25% and 40% figured on the same basis and that the difference between this and the actual amount shown may be considered additional compensation for the supposedly greater risk of a common stock. The difference, however, between the normal return and that which was actually received is sufficiently wide in the majority of cases as to confirm the wisdom of investing at least part of one's surplus in a diversified list of our representative common stocks, although this particular point has been brought out more conclusively elsewhere and the soundness of which is generally admitted.

The Contrast

The most striking part of the table is the manner in which the leaders show up in contrast to the runners-up. In seven out of the twelve cases taken they have indisputably been the better investment, in three cases the results are sufficiently close to be called a draw, while in two cases only were the leaders shown to have been inferior investments to their most important competitors. In the majority of instances where the leaders showed up to better advantage it will be noticed that this was done by a large margin, often being as much as 100% and that there are also examples where, upon one's original selection, depended the difference between a handsome profit and a virtual loss—it being judged a loss in those cases where the return actually received failed to reach that which would have been afforded by sound fixed income bearing securities. In fact, in one instance the investor by purchasing stock in the runner-up was not only deprived of the expected normal return upon his capital, but actually sustained a capital shrinkage.

In both cases where the runner-up proved the better investment it is noticed that the original price was a comparatively low one and that the stock was not then paying a dividend, although substantial amounts had been disbursed in prior years. This appears to confirm the contention that a sound company, when hard hit, is likely to overdiscount the adverse developments in its market price and if this type of company be bought on the "rebound" it is not unlikely to prove an extraordinarily profitable holding.

The financial history of the United States is full of examples where this has happened. Most of the country's strongest railroads have been bankrupt at one time or another with their stocks begging for purchasers at a few dollars

(Please turn to page 720)

The Leaders and the Runners-up

Company	Price Jan. 3, 1925	Stock Divs.	Shares, Held, Jan. 2, 1931	Price Jan. 2, 1931	Value of Divs. Recd. and Rts. Sold	% Return over 6 yrs. if sold, Jan., '31	COMMENT
American Can Co.	165	4/1	4	110	73	211	Both companies continue to make large capital expenditures in order to increase production.
Continental Can Co.	70	5%, 100%	2.10	48	34	106	
Corn Products Refining Co.	41	...	1	78	19	136	Note the greater importance of market appreciation over dividends in final result.
Penick & Ford, Ltd., Inc.	24	...	1	38	2⅛	69	
General American Tank Car Corp.	58	3%, 4%	1.07	58	27	69	Union Tank Car, old Standard Oil unit, might have been considered leader in 1925.
Union Tank Car Co.	122	33⅓%, 25%, 4/1	6⅔	25	46	74	
General Electric Co.	315	4/1, 4/1	16.00	44	105	157	Market appreciation more important than direct return.
Westinghouse Electric Co.	80	...	1	92	31	54	West. Electric, sub. ATT, larger.
Harbison-Walker Ref. Co.	130	33⅓%, 4/1	5⅓	40	66	115	Business usually good during a depression.
General Refractories Co.	55	...	1	40	21	10	
National Biscuit Co.	74	2½/1	2.50	77	37	210	Both companies still expanding quietly and persistently.
Loose-Wiles Biscuit Co.	79	4/1, 25%	5.00	45	36	230	
Sears, Roebuck & Co.	152	4/1, 2%, 4%, 4%	4.413	46	56	70	
Montgomery Ward & Co.	49, 35	...	3	16	91	65	Rights in 1928 were taken up; others sold.
Texas Gulf Sulphur Co.	105	4/1	4	47	84	159	Depletion important factor in dividends.
Freeport Texas Co.	11	...	1	29	16	307	
United States Steel Corp.	122	40%	1.40	139	59	108	
Bethlehem Steel Corp.	52	...	1	50	16⅛	28	Said to plan further important expansion.
Westinghouse Air Brake Co.	108	4/1	4	33	46	65	
N. Y. Air Brake Co.	56	...	1	23	44	22D	Licensed under Westinghouse patents.
Woolworth (F. W.) Co.	124	50%, 2½/1	3.75	55	41	100	Expansion appears to be slowing down.
Kresge (S. S.) Co.	480	50%, 10/1, 50%	22.50	26	140	51	
Wrigley (Wm.) Jr., Co.	46	5%	1.05	67	22	101	In both instances earnings appears to be trending upwards.
American Chicle Co.	40	2/1, 15%	2.3	39	19	173	

D—Loss.

McKEESPORT TIN PLATE CO.

A Consistent Earner in Good Times and Bad

Strong Industrial Position— Good Yield—Excellent Prospects

By HENRY RICHMOND, JR.

DESPITE all the levity associated with a delicatessen dinner, the steadily increasing consumption of preserved foods and other packaged goods is a modern development which cannot be denied. Of the companies indirectly affected by this tendency none has benefited to a greater extent than McKeesport Tin Plate Co., although perhaps it should be pointed out from the very start that the company is not engaged, except indirectly, in actually manufacturing the cans from which most of us obtain our food, oil, paint, candy, shoe polish and a thousand other things. It only, so to speak, makes the ammunition which others fire. In this direction, however, it may be considered a past master, having commenced making tin plate nearly thirty years ago.

A "tin" can, like a "tin" roof is something of a misnomer. Although there are various processes differing in detail, the product is essentially a thin sheet of iron or steel which has been dipped in a bath of molten tin and then rolled so that the resultant coating is reduced to the smallest practical thickness. Afterwards the finished plate is cut to various standard sizes and packed in boxes. These boxes, containing a varied number of sheets, each weigh approximately 100 pounds and are sold as such to manufacturers of containers—perhaps one of the large can companies.

A Favorable Spread

The manufacture of tin plate then is a comparatively simple process in which the principal raw materials are steel sheets and pig tin In the case of McKeesport these are both purchased in the open market so that the company's profit depends upon the margin between the price of steel sheet plus raw tin and finished plate. Insofar as it has been stated that a difference of 10 cents in the price of tin makes a difference of 20 a box in tin plate, it may be deduced that tin plate is approximately 98% steel and 2% tin by weight. Despite its greater bulk however, sheet steel is not only much more quickly procurable but the price is more stable than that of tin with the result that the latter is the big problem. It has to be brought many thousands of miles from a foreign country making a large inventory an absolute necessity if risks of a disastrous shortage are not to be undertaken, while the ordinary dangers of fluctuating prices for a commodity are further enhanced by complicated "stabilization" schemes.

During the last few years the manufacturer of tin plate has been exceedingly fortunate. Not only has the demand for his product expanded but the price of tin has steadily trended downward. It is currently quoted about 30 cents a pound delivered, which compares with considerably more than double this figure but three years ago. Despite this, however, the list price for tin plate has fallen only from $5.50 to $5 per box—the lower level having been in effect but a short time—a reduction which manifestly has been offset about one and a half times by the fall in tin alone to say nothing of savings in sheet steel and the greater manufacturing efficiency which has been evolved.

McKeesport Tin Plate Co. was organized by E. R. Crawford and associates back in the early nineteen hundreds. It was chartered under the present name by the State of Pennsylvania in January, 1902, as successor to the McKeesport Manufacturing Co., incorporated a few months earlier. In regard to the company's management it should be noted that E. R. Crawford, elected president in 1902, still holds this same position with the organization. The company on its formation operated ten tin plate mills having an annual capacity of some 400,000 boxes, a quantity which represented about 10% of the country's entire output. Now, however yearly output has grown to about four million boxes and it is calculated that McKeesport's share of the total business has risen to nearly 11%, making it the largest unit engaged exclusively in the manufacture of tin plate in the United States. It would in fact be *the* largest and without modification but for the activities of a certain subsidiary of the mammoth U. S. Steel Corp.

Well Located Plants

The present day plants of the company consist of 44 mills covering some 28 acres of ground and are located at Port Vue near the thriving city of McKeesport on the Monongahela River in Pennsylvania. The natural advantages of this location are to be found in the coal mines and navigable waters at the very door of the town, while the district is served by natural gas. Although the inhabitants of Port Vue itself number but 3,500, the company is enabled to tap the almost unlimited skilled labor reservoir of the nation's foundry. Not only is there McKeesport with its population of 55,000 but only a few miles to the north lies Pittsburgh—that city of "steel", bridges and a supposed impenetrable pall of smoke.

In addition to the actual operation of its own plants McKeesport Tin Plate Co. owns some 75% or more of the capital stock of the Metal Package Corp., a company engaged in turning McKeesport's plate into those containers so familiar to everyone. In this way, not only has the parent company become possessed of a profitable invest-

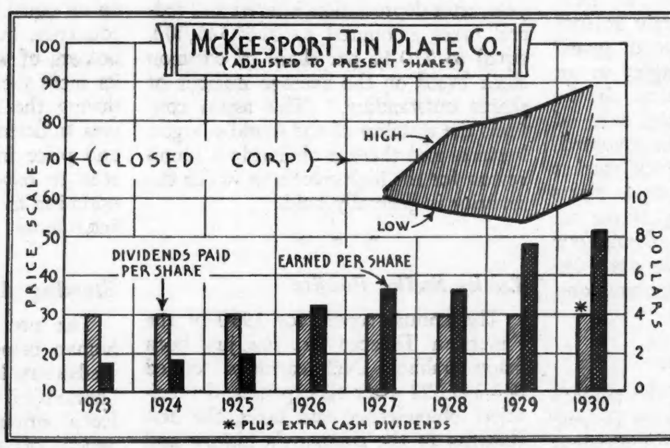
ment but a stable outlet for about 25% of its product has been obtained. As evidencing conservative bookkeeping practice it may be pointed out that this investment in Metal Package Corp. is carried on the books of McKeesport at slightly more than $3,000,000, while the subsidiary itself values the same interest at more than $6,000,000. The parent company's equity in the earnings of its subsidiary amounted to over $500,000 for 1930, a very considerable increase over the $364,000 reported for the previous year and the $253,000 for 1928. Metal Package Corp., producing a diversified line of metal containers, including the more expensive and gaudy contributions to art favored by candy and drug manufacturers, is said to follow American Can Co. and Continental Can Co. as the third most important unit in the field. It is still expanding, having recently acquired the Fischer Can Co. of Hamilton, Ohio, an organization specializing in the production of syrup cans, thereby entering new territory.

Rising Net Income

McKeesport Tin Plate Co. was a closed corporation, and incidentally an exceedingly profitable one, until late in the year 1927. At this time, however, wishing to retire a $6,000,000 bond issue, the company decided to permit the public to participate and 100,000 shares of common stock were offered at $60 a share. This offering brought the capitalization to 300,000 no par shares, the figure at which it now stands. There is neither preferred stock nor bonds outstanding. The company's earning record is an enviable one, a profit having been made and cash dividends paid in every year since 1905 to date. The steady upward trend in net income during recent years is well illustrated in that this item has grown from $437,000 in 1923 to $2,504,000 in 1930, each year, with one insignificant exception, registering a new high record. The earnings for 1930 were equivalent to $8.34 per share on the 300,000 shares of common stock outstanding and compared with $8 for the previous year and with $7.62 a share for the year 1928. Perhaps the most striking feature of the company's past record is the 124% gain in net income for 1926 over 1925, a gain which was achieved in spite of a 7% decline in sales. In explanation of this extraordinary showing it was officially stated that the cause was almost solely operating economies reflecting plant improvements undertaken in the latter part of 1925.

Long Dividend Record

In regard to dividends the uninterrupted record of disbursements since 1905 speaks for itself. Moreover, in addition to very substantial cash extras, 50% in stock was paid in 1909, 100% in 1916 and 233⅓% in 1920. The present regular rate is $4 a share in cash annually, affording a yield of nearly 5% at present prices of approximately $83 a share. This yield although fairly reasonable in itself is materially enhanced by the payment of extras. Three extra dividends of 50 cents each were paid during the past year while yet another of like amount was distributed on January 2 of the present year.



McKeesport Tin Plate Co. currently enjoys a strong financial position. The balance sheet as of December 31, 1930, showed current assets of about $5,000,000 including cash of nearly $2,000,000, whereas current liabilities amounted to less than $1,000,000, indicating a net working capital of over $4,000,000, a sum which would appear ample for the company's needs. Land, buildings, and equipment were carried at $9,066,000 after deduction of a depreciation reserve of $9,231,000. It is known that the company's bookkeeping policies are conservative and there is every indication that this item is actually worth considerably more than its present stated amount.

Although McKeesport Tin Plate Co. is small in comparison with many of our present day industrial giants its record entitles it nevertheless to a high rating. It has been profitable in both good times and bad, a feature which, peculiarly enough does not appear to have been recognized even during the great bull market of 1929 when the price of the common stock ranged only between $82 and $54 a share. If the narrowness of this price range indicates that the stock is perhaps somewhat lacking in market sponsorship, it is advantageous in that it shows intrinsic value to have been, as would appear to be the case now, the predominating factor in fixing the price.

In regard to the future prospects enjoyed by this company one must consider the two divisions of its business separately. First of all there is the parent company, the manufacturer of tin plate. Despite the trend toward increasing use of "tin" containers and the great growth in net income, sales have been disappointingly stable and as there is a definite limit to efficiency on a given volume of business it would appear unreasonable to expect profits in the future to increase as rapidly as they have in the past unless of course sales should jump suddenly and unexpectedly. Moreover the unprecedented decline in raw materials which was not reflected, except in part, in the price of the finished product put the company in an unusually favorable position and is unlikely to be duplicated in the near future.

Profitable Subsidiary

On the other hand the second division of McKeesport's business—that of Metal Package Corp. appears to enjoy excellent prospects. In fact, so bright is the outlook that complications are not unlikely to ensue for the reason that it competes directly with the parent company's best customers. This situation, tantamount to being both a wholesaler and retailer at the same time, has always been conducive of difficulties and there is no reason to suppose that this particular instance will prove an exception to the general rule, although they make take some time to develop. There are, however, two alternative courses open for avoiding these anticipated difficulties either of which should turn out well for both the company and its stockholders. McKeesport Tin Plate Co. could expand Metal Package Corp., while at the same time contracting tin plate output thereby forming the first example of an integrated can company. Or, the subsidiary could be sold while the

(Please turn to page 722)

Market Indicators

For Profit

Mergers

Congress has adjourned without enacting any of the much talked of legislation to hinder mergers in the public utility field or the development of the railway holding company and it is being commonly predicted that extraordinary activity along consolidation lines may be expected in the near future. This appears entirely reasonable but stockholders should guard against the undoubted dangers in an artificial movement of this sort. In the first place mergers "for the sake of merging" are liable to be consummated; then there is apt to be stock market over-enthusiasm which always reacts disastrously; to say nothing of the accentuation of the disaster should our legislators ever decide to do some unravelling among the new combinations.

* * *

Big Business Personified

Much has been heard of the modern tendency for big business to become bigger but nowhere was the movement more conclusively confirmed than in the annual report of the American Telephone & Telegraph Co. for the year 1930. Total assets of the Bell System aggregated more than $5,000,000,000 the first time in history that the resources of any corporation in the world have reached such a sum. Other items in the report are on the same astronomical scale. For example, there was mention of 15,682,059 Bell telephones in the United States which were connected to over 32,000,000 others in foreign countries; 76,000,000 miles of exchange and toll wire in this country alone to say nothing of the average of 65,000,000 conversations daily. Then there was the successfully completed $585,000,000 construction program, followed by veiled regret that present plans call for the expenditure of only $450,000,000 during the present year. In fact, the whole report deals with figures which leave the average man somewhat out of breath although the stockholder's attitude is doubtless one of delighted wonder that he should be part owner in such a vast enterprise. Of course, the general business depression, as was stated in the report, had its inevitable effects upon the telephone business but even so American Telephone & Telegraph's earnings for the year, after depreciation, interest and federal taxes amounted to $165,545,000, equal to $10.44 per share of common stock based on the average number of shares outstanding. This again confirms the stability of the world's largest business and there is obviously a sound reason for the high esteem in which the security is generally held.

* * *

Lucky Strike Profits

The annual report for 1930 of the American Tobacco Co. has just been made public. Net earnings totaled $43,345,371 after all expenses, depreciation, obsolescence and taxes, the best showing in the company's history and in a year of depression at that. These earnings, representing an increase of 43% over those of 1929, were equivalent after interest and dividends on the preferred stock to $8.56 a share on the 4,687,054 shares of combined common and class B stocks outstanding at the end of the year and compared with $5.76 shown for the previous year. Actual sales of "Lucky Strikes" were stated to have increased 6,219,000,000 over 1929, indicating that the company's extremely vigorous advertising campaign was having the desired results.

* * *

Radio—I. T. & T.

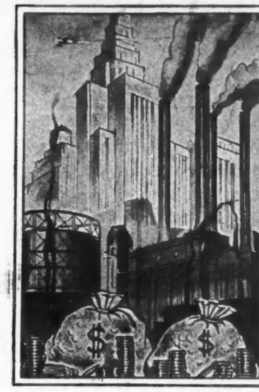
In March, 1929, the Radio Corp. of America and the International Telephone & Telegraph Corp. reached an accord whereby their communications interests were to be consolidated when, as, and if permitted by law. The White Act of 1927 which specifically mentioned interstate and foreign radio communication in terms of combinations, restraints and monopolies, is, as it was two years ago the direct barrier. The agreement, now officially abandoned, had it been consummated, would undoubtedly have done much to put American communications interests on an equal basis with those of foreign countries, but the important point for holders of stock to remember is that its mere mention—which was often—during the late lamented bull market was sufficient excuse for great activity and price inflation which now can be seen to have been nothing more than optimism to the *n*th degree. Bull market rumors. How are the mighty fallen!

* * *

Starting Afresh

The not uncommon peculiarity of human beings whereby abhorrence of mediocrity leads them to strive for the "bottom" if the "top" be unattainable, has a curious counterpart in the recent action of several large corporations. There has apparently been a tendency for those companies which enjoyed a fair measure of prosperity during 1930 to do everything possibly to make a good showing, while those for whom the situation was more or less hopeless made extraordinary charge-offs and set up extraordinary reserves. This was presumably done on the theory that as the report would be poor anyway, little harm would be done by making it worse and the company would be in an exceedingly favorable position when the inevitable upturn in its business arrived. There have been several clear cut examples of this policy. For instance the United States Rubber Co. reported a deficit of over $18,000,000 for 1930, a figure which was arrived at after writing down inventories by over $11,000,000. The company also charged off nearly $60,000,000 on good-will, patents, etc., introducing for the first time ultra conservatism in its book-

The Stockholder



and Income

keeping policies. United States Industrial Alcohol made a special charge to surplus of $3,000,000 in order to allow for the drastic decline in blackstrap molasses. Marshall Field, the big Chicago department store, reduced inventories by nearly $10,000,000, taking this item into the accounts on the basis of the lower of cost or market in addition to setting up a contingency reserve of well over $3,000,000. Investors would do well to bear in mind such companies, as their reports immediately following the definite turn in business are not unlikely to be phenomenally good.

* * *

Small Capitalizations

Although most stockholders realize that, for speculative purposes, there is a definite advantage in purchasing stock in a company having a small outstanding share capital, it is perhaps not so generally recognized that by the same token such a stock is an extremely dangerous "short sale" for the average man. The recent severe losses sustained by those "short" of Auburn with its 188,000 shares outstanding, Case with 195,000 shares, Byers with 263,000, Mullins with 100,000, Vanadium with 379,000 and so on, can possibly be remembered advantageously by those who "itch" to sell this kind of security, usually solely on the grounds that the stock has previously risen substantially. Short selling is not without hazards and if it is employed, then it is suggested as a safety measure that activities be confined to the stocks with a large enough floating supply to be easily borrowed.

* * *

Another Member for the "Depression Proofs"

National Dairy Products Corp. is yet another of those companies for which a business depression holds no fear. Net sales for 1930 including operations for the entire year of those companies acquired during the year and those held under firm contracts at December 31, totaled $374,558,000 an increase of nearly $75,000,000 over 1929 sales. The annual report, however, points out that there was a decrease of approximately 10% in dollar sales for the same subsidiaries over the same two periods but that this was due principally to lower selling prices. Earnings applicable to the common stock outstanding at the end of the year were equivalent to $4.10 a share which compared to $4.04 a share for 1929. National Dairy, it will be remembered, acquired Kraft-Phenix Cheese Corp. last year and is still expanding. As National Dairy Products Corp. is among the largest manufacturers and distributors of ice cream in the country, there is usually some favorable market reaction to this phase of the company's business during the Spring months. The stock is currently quoted about $47 a share, a level which affords a very satisfactory yield on the regular dividend of $2.60 a share annually.

* * *

A Better Bond Market?

The recent offering of $75,000,000 New York Central Railroad and $50,000,000 Pennsylvania Railroad bonds was overwhelmingly successful. In fact, would-be purchasers arrived at the doors of the syndicate managers long before the normal commencement of the business day and it is said that the books could have been closed in fifteen minutes although they were kept open longer in deference to out-of-town dealers. The $66,000,000 offer by the New York Port Authority on the same day received a like reception although the final part of the issue was sold more slowly. Despite the fact that these sales were wholesale affairs they provided conclusive proof of the growing public appreciation for long term bonds, a development which has been eagerly awaited by the business world for the stimulus that it would give industry in general.

* * *

Lorillard Preferred

Although P. Lorillard Co. must have passed some anxious moments during the introduction of its "Old Gold" cigarette, the tremendous improvement in earnings for 1930 indicates that the worst is over at least, if not that very substantial earning power will be seen in a year or two. The capitalization of the company consists of 113,076 shares of 7%, cumulative, non-callable preferred stock of $100 par value followed by 1,908,505 shares of no par common stock. Total funded debt is slightly over $35,000,000. Earnings on the preferred stock increased from $11.82 in 1929 to nearly $32 for the year 1930. In view of the excellent general prospects enjoyed by cigarette manufacturers it would appear that this stock still has the earmarks of an interesting speculative investment for long term holding despite a difference of some twenty points between the low price of 1930 and the present one of $96 a share.

* * *

Oil and the Railroads

It's an ill wind that blows no one any good, so that while the oil industry, already overproduced, is more than a little nervous concerning the outcome of the new East Texas field, it is reported that the rush of materials for development is clogging certain sections of the Missouri Pacific and Texas & Pacific railroads. Oil field freight—materials in, and oil out—has in many cases during the past proved an extremely important factor in railroad revenue and, although its importance is now growing less on account of competition from pipe lines, it is to be hoped that the new field will bring at least some small measure of prosperity to the carriers mentioned.

READERS' FORUM

¶ *A Unique Scheme of Financing*

¶ *A Solution of the Mortgage Problem*

Supplanting Mortgages by Judicious Investment

An Interesting Experience Story Suggesting the Possibilities of Being One's Own Banker for Those Who Are in a Position to Assume Normal Market Risks

As Told to ELSIE MAYER

We have heard of folks who mortgaged their home in order to raise capital for stock investments but here the procedure is reversed. This couple bought stocks in order to avoid the tedium of paying off the mortgage or buying a home on the installment plan. Aside from the unusual features of this story, we might draw the moral that the best place to use one's funds is where they can be handled to the best advantage.

IT has always appeared to me that half the joy of home-owning is eliminated by the long drag of ten or twelve years it requires the average couple to pay off the mortgage. When I read in your columns recently of the scarcity of mortgage money and then learned how easily and quickly one couple solved the problem, I determined to plan along.

Picture the relief of thousands who are purchasing their homes on the installment plan, were they suddenly placed in a position to pay off the mortgage. What a grand relief from the grind of stretching the monthly income to meet these payments on principal and interest.

The young people about whom I write, while delightful people, are just an average American couple. Perhaps they are extraordinary in their wonderful team-work and willingness to put forth the required effort to assure their reaching the longed-for goal, but otherwise they are little different from the Smiths or the Joneses—that is, with the exception that their home is unencumbered, and they have a nest-egg toward financial independence in the future.

While the plan herewith cannot possibly solve the problem of home ownership for all families for reasons obvious, yet it is certainly worthy of consideration for those in position to utilize it. The plan as it was outlined to me was as follows:

"So many of the young couple's hopes and ideals are shattered ere they are realized, that we consider ourselves as being very lucky. Certainly not all of our success do we attribute to luck, for much thought and study was required to bring about the desired result. But we are both sufficiently lacking in egotism to fully realize that had we not received good breaks, our efforts would have been fruitless.

"It was mutually agreed that, above all else, we were to strive toward financial independence at fifty. In starting out on the journey of life one must provide a home. Whether the house part is to be their own or their landlord's depends altogether upon the circumstances governing their particular case. We decided it would be more pleasant to own our own home, and made plans toward that end.

"Since we married young, I was unable to save sufficient to purchase our home outright, and when we made a survey of the financial status of our friends who had purchased homes with only a small down payment, we readily agreed to sit on the side lines and study the game before enlisting. That our decision was most wise was proven several times in the following months. Several of the members of our set having lost home, furnishings, automobiles and all, in their unwise attempt to stage a grand show on a hot-dog income, with home-brew and a bridge deck as the principal attractions.

"After taking stock of our finances which combined amounted to but $2,000, and investigating furniture and rent costs, we decided upon a three-room-and-bath furnished apartment renting for $65 per month.

"The first year of our married life we discussed many plans for increasing our income toward the goal of independence. The wife became impatient with what appeared at first hand to be a very slow financial ascent. Several times she suggested that she again take up the role of wage earner so as to speed things up, but I have never been an advocate of the lady of the house deserting her home-making for the lesser job of office assistant, and the idea was discarded.

"By practicing economy we were able to save $500 from

our income the first year. Our $2,000 capital had been invested in paid-up building and loan stock upon which we received 7 per cent interest, netting us $140. This amount added to our savings increased our capital to $2,640. Five hundred dollars of our increased capital was promptly reinvested as before.

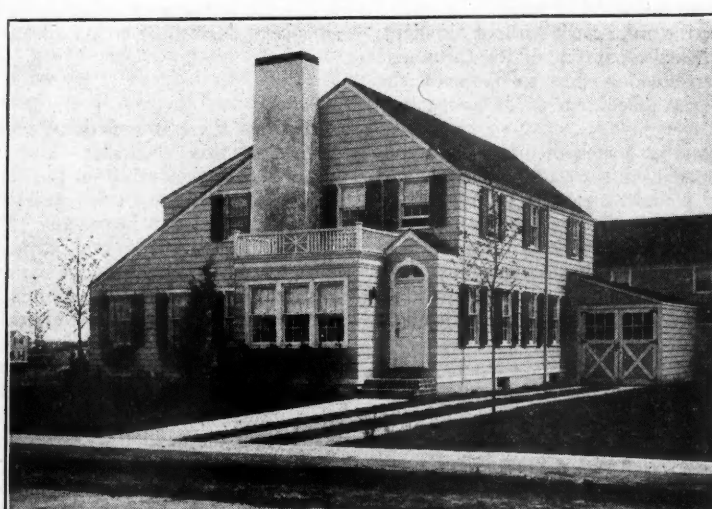
"One cold morning of the second winter of our married life, a good break came our way in the shape of a chance acquaintance with another commuter. Upon taking the one remaining vacant seat, the other occupant, a middle-aged man, started conversing, and we eventually became friends. It was not long before I discussed my ambition to save a sufficient sum to purchase a home, paying cash. He informed me he was a contractor engaged in selling homes on the deferred payment plan, but to my great surprise he heartily endorsed my plan of paying cash for our home.

"One evening upon answering the door, my new-found friend greeted me with several magazines, which proved to be THE MAGAZINE OF WALL STREET. After spending a pleasant hour conversing, he suggested I might find something of value in the magazines and took his leave. Not realizing the important part which this incident was to play in our future, I neglected to even glance between the covers of a single copy for a week. But not so the wife. She had studied each and every one and saw to it that I did likewise.

Making a Study of Securities

"My friend (wise man that he is), never broached the subject of investment until I mentioned it. He afterwards informed me he wished to be certain I responded solely from the standpoint of the spec-investor, and not as a gambler. He assured me the possibilities of obtaining a home would be much faster through the medium of security investment than by the pay-check route. This certainly proved to be the case.

"The result was, I studied the science of investment under his tutelage for six months, when he suggested I use my knowledge in investing my funds. Thanks to my instructor and the kind fate which led to our acquaintance, I was thoroughly drilled in the mechanics of speculation and investment. I learned the value of business graphs, trend charts; that the only genuine basis upon which to purchase a security is its earning power and future prospects in its particular industry. Also, I learned that certain issues have a "stock personality" which reacts to certain conditions in a manner peculiar to that particular issue. That certain securities have an almost set range of price trend during the year. Further, that diversification is the only end toward safeguarding against severe losses. Finally, never to permit ones enthusiasm or greed to jeopardize one's capital by climbing for a stock or overstaying the market in anticipation of obtaining the last point of the profit.



Home Ownership May Be Made a Source of Greater Satisfaction by Proper Financing

"By nature I have an analytical mind. I am also a student possessed of a greed for knowledge which has proven a wonderful asset in reaching for the goal. In my research, I discovered three stocks which appeared to have a fluctuation of approximately 50 per cent of their price yearly. With the sanction of my friend and tutor, I purchased a hundred shares in one of the companies manufacturing linotype machines, then selling at $20 a share. Another full lot was bought in an oil issue at 19¾. A third hundred shares of a public utility was obtained at 17, making three hundred shares in all, for which I put up $3,000 as 50 per cent margin.

"Running true to form, our three issues made their 50 per cent gain within four months following date of purchase, netting $3,300. Our capital had increased to $6,100 two and one-half years from date of our marriage.

Some Thought On Conserving Gains

"Fearful less the adage 'easy come, easy go' might start working against us, we decided to reinvest one-half of our working capital in our first love—the building loan. Even then, I divided the fund between two companies as a protective measure. We had learned caution.

"Our next purchase was a hundred shares of the previously purchased utility, it having reacted to within four points of our first purchase price in a market reaction. Four trades were subsequently made in this issue in the following two years, netting a profit of $5,000. Forty points profit were also taken on one hundred shares of the other two issues in the two-year period, making an additional $4,000. Our original capital of $2,000 had increased to $15,100 in four and one-half years.

"Not so bad for a beginner, but it was not so easily accomplished as it reads, I assure you. At this time our friend built us a home in a delightfully located subdivision at a price of $8,000. We thought this conservative and we expect to live therein for a number of years. During this period we paid out $3,700 for rent, but inasmuch as we accumulated the equivalent of two homes in the period, we certainly gained much more by our plan than had we invested our savings in a home originally.

"In addition we have learned the mechanics of spec-investment which has since permitted us to accumulate a sizable back-log of investments.

"The spec-investment method, with all due regard to the study and caution necessary for success, is beyond doubt the quickest method of purchasing a home, but the investor must learn to know his stocks; practice conservatism, and never plunge. Again I repeat, we were lucky in obtaining good breaks at the start."

Market Rise Opens Flood Gates for Tips and Rumors

Incident of Last December Reflects Change in Sentiment During Rise, and the Story Has a Moral

By Harrison Marks

DURING one of the long winter days of December, the door of a virtually deserted customers' room opened to admit a rather elderly gentleman who apparently had some business that he wanted to transact. He inquired about a few stocks, seemed a bit taken back by the prices that he saw on the board and asked for some current information about several of the one-time popular stocks. He glanced over this data but seemed far more impressed by the atmosphere of the board room and the lethargy of the stock quotation printer.

Indeed the sentiment in the financial district was especially pessimistic on that particular winter's afternoon. The stock market seemed to have lost its last friend. No one in the board room was willing to venture even a guess as to what the market was going to do—truly a remarkable incident in itself. But the old gentleman shortly wrote out a list of buying orders; handed them to the order clerk without comment.

As he was leaving the board room, one of the customers' men spoke to him with an obvious effort to throw off the gloom and pessimism of the office for his departing customer.

"Well, I am glad to see that somebody has a little confidence in stocks left," he said with a rather sad smile and added: "We do not feel confident enough to recommend stocks to our customers right here."

"Yes, I noticed that," replied the elderly customer. "I notice also that people are not talking about stocks anymore, either up-town or down-town. I have not heard a tip to buy stocks for the past few months, so I thought it might be a good time to buy a few stocks."

* * *

A few days ago we dropped into the same board room. The remarkable change in the picture that we saw there is probably symbolic of the change that has come into the financial district during the stock market advance. On our recent visit, we could hardly edge our way to the ticker. Every one of the big heavy leather chairs was occupied. The board boys were kept hopping gingerly around to keep their card boards up to the speed of the ticker. An excited buzzing of conversation sounded like a few dozen beehives on a hot summer afternoon.

Every one was talking about his pet stock and the wonderful things that were going to happen to it immediately. Some of the most noisy customers, however, had sold their stocks out on the first bulge of this rally and were just as eager to herald their views of the forthcoming "break" as the bulls were to impress an innocent bystander that the market had "just started to move." The market advance had certainly revived the old familiar practice of handing out tips on the market—bull tips and bear tips, plenty of both.

Neither is this change confined exclusively to the financial district itself. The stock market, after its vigorous 1931 advance, has again been restored to its old status as entirely proper drawing-room conversation. And when people start to talk about their stocks again, the rumor-mongers get busy. After slumbering peacefully throughout most of the winter, those "in the know" are again telling their friends what to buy, how much the market is going to advance and when it is going to break. Tips to buy stocks seem to be in the majority, which, of course, is the normal state of affairs during the course of an advance.

* * *

Perhaps there is something prophetic about this sudden revival of tips on stocks. Perhaps we might be able to draw a timely moral from the story about the old gentleman who went down-town to buy stocks last December because he "had not heard any tips on the stock market." But that is apart from our purpose here. Having observed that stock market tips are oozing out of the financial district in considerable volume, it seems pertinent to restate an investment principle that has been advocated by this publication for many more years than most investors today have had any personal experience with Wall Street. *Don't buy on tips, hunches or rumors.* To old readers that phrase will have a familiar ring, but from their own experience they will also know that it is more than a slogan.

Stock market tips are so varied in hue, that one can only generalize on their use and importance. It is a safe generalization, for instance, to say that most of the tips that reach the general public are passed along with perfectly good intentions by the time they get that far. More than likely, however, they are not so well intentioned at their source. In other words, tips to buy stocks are usually associated with distribution of stocks and tips to sell usually go hand in hand with accumulation. The most satisfactory investment advice must be based on independent analysis and disinterested conclusions. Tips, rumors and hunches may occasionally bring profits to the gambler in stocks but they can never provide a sound foundation for success.

Seasoned Issues or New Offerings?

Answering the Question from the Investor's Viewpoint

Editor,
Readers' Forum:

What are the advantages of buying new issues for investment over and above the selection of seasonal securities in the open market? I have usually been advised to buy seasoned issues, yet there are several billions of new offerings bought by investors every year. There are various claims being made on both sides of this question and I believe that many readers of the Readers' Forum would be much interested in a brief summary of the both sides of the matter.

Very truly yours,

H. S., New York.

THE volume of new issues put out by banking houses during the past few years has amounted to the rather staggering totals of ten billion dollars per annum. In 1929, the boom year for security markets, stock financing in the form of offerings of new issues brought the total to approximately 11½ billion dollars, a new record for all time. In 1930, largely through the comparatively smaller volume of stock financing, new issue volume fell off some 5 billion dollars but still represented a considerable sum. Obviously, financial operations that have such an extensive scope, must have specific advantages for the buyer.

Probably the greatest appeal of new financing, from the investor's standpoint, is the sponsorship of the banking firms which place the issues on the market. With the exception of some forms of real estate financing and a negligible amount of corporate issues, no definite guarantee is made by the sponsors of new issues, as far as payment of dividends, interest or principal is concerned. But there is at least an implied moral sponsorship and a definite responsibility concerning the accuracy of facts used in selling new issues that appeals to a large class of individual and institutional investors. It must be remembered that prior to the offering a new issue of securities to the public, the underwriting firms make an extensive investigation of the corporation.

Expert Security Analysis and Investigation

The equipment which these firms have available for investigation and analysis is far superior to the facilities which the average investor has at his disposal in the selection of issues in the open market. Financial statements are carefully audited by experts, properties frequently are appraised by the banker's engineers and the credit of the company which seeks capital is carefully appraised. The investor who buys a new issue at the time of the original offering thus has the advantage of obtaining rather complete and authoritative financial information which may not otherwise be available.

Sometimes, the investor's preference for seasoned issues is based on the belief that the buyer of a new issue bears the cost of distribution. While this may be true in individual instances, the large syndicate operations are always worked on the principle of meeting the requirements of the capital markets in placing new issues. In other words, new issues are priced on a basis determined by open market prices of seasoned issues and the borrowing corporation must pay the cost of distribution. All this is highly theoretical, of course, and it would always be an open question of whether the risks of selecting an unsponsored issue represents a higher price for the investor to pay than some portion of the distributing costs of a new issue, even though some measure of this cost is assumed to be past along to the buyer in actual practice.

The "Seasoning" Process

All new issues have the advantage of organized market support, at least as long as the issuing syndicate is in existence, and often enjoy a certain amount of market sponsorship more or less indefinitely. In the long run, however, prices of securities are effected by general market conditions, whether or not they enjoy artificial support during an intermediate period of time. In a declining market, new offerings must be expected to decline together with the so-called "seasoned" issues, either during the time that the syndicate is in existence, or after the life of the syndicate terminates. From the long range standpoint, the element of market sponsorship of new issues of securities is essentially secondary to price trends and general market conditions. And the issuer of new investment offerings assumes no responsibility for the future values of his offerings which obviously are determined by conditions beyond his control.

The "seasoning" element in older issues that have been on the market for a long period of time has a greater appeal to some classes of investors. In the long run, prices of securities, like prices of all other commodities will be governed by the supply and demand on the market and the collective opinions of all buyers and sellers. The opinions of investors all over the country, or in fact throughout the world, are the final arbitrators concerning prices. Prices may be established by artificial measures, by passing fads or new buying habits of investors, but such influences can only prevail for a limted period of time. After being subjected to the varying opinions of buyers and sellers over a long period of time, securities establish a value which is independent of issuing prices and it is at such prices—higher or lower—that some investors prefer to make their commitments.

TRADE TENDENCIES

Business Improvement Slight and Irregular But Sentiment Still Cheerful

STEEL

Industry Creeps Ahead

STEEL ingot production for the country at large is still improving, but pitifully slowly. Activity is said to be currently around 55% of theoretical capacity, a gain of slightly less than 2% over the previous week and a gain of about 3% over the rate prevailing some two weeks ago. Taking as a criterion the decrease of 167,157 tons in the unfilled tonnage report of the United States Steel Corp. for last month, it would appear that even the present low rate of activity was running ahead of new orders. It has been pointed out in this connection, however, that February being a short month with four Sundays and two holidays coupled with the sustained attitude of caution on the part of buy-

(*Please turn to page* 726)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1930 High	1930 Low	Last*
Steel (1)	$34.00	$30.00	$30.00
Pig Iron (2)	18.50	17.00	16.50
Copper (3)	0.17⅞	0.09½	0.10⅛
Petroleum (4)	1.45	0.95	0.57
Coal (5)	1.65	1.40	1.60
Cotton (6)	0.17½	0.09½	0.11
Wheat (7)	1.46½	0.96⅝	0.92⅝
Corn (8)	1.19½	0.90½	0.79⅛
Hogs (9)	11.00	8.00	7.10
Steers (10)	16.50	10.75	11.00
Coffee (11)	0.10¼	0.07	0.05⅞
Rubber (12)	0.16⅜	0.07⅝	0.08⅛
Wool (13)	0.34	0.28	0.29½
Sugar (15)	0.03¾	0.03⅛	0.03⅛
Sugar (16)	0.05½	0.04¼	0.04⅜
Paper (17)	0.03½	0.03½	0.03½
Lumber (18)	20.33	15.03	15.44

* March 10, 1931.

(1) Billets, rerolling, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per lb.; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) 220-240 lb. wts.; (10) Top, Heavies, Chicago, 100 lb.; (11 Rio No. 7, spot, c. per lb.; (12) First Latex Crepe, c. per lb.; (13) Ohio, Delaine unwashed, c. per lb.; (15) Cuban, 96° duty paid, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

PETROLEUM—Price cutting still continues. The recent cut in crude initiated by the Standard Crude Oil Purchasing Co. in the mid-continent field has been followed by most of the other large buying organizations. There have also been other significant downward revisions in Texas and California. The oil industry is undoubtedly in a chaotical state and the only question of doubt is whether or not it is possible for conditions to become worse.

COFFEE—It is reported that Soviet Russia and Brazil have entered into negotiations with a view to building up an important mutual trade. Russia proposes to take 5,000,000 sacks of Brazilian coffee over a period of two years and it is even suggested that there be arranged direct steamship communication between the two countries.

ALCOHOL—The Canadian National Research Council is said to have developed a process whereby industrial alcohol is to be derived from natural gas waste. This possibly may have an important bearing upon the status of the present alcohol producers, although it will be remembered that last year's flurry over Union Carbide's synthetic alcohol was short lived on the realization that large commercial production was quite some time away.

ALUMINUM—The Bureau of mines reports that 229,053,000 pounds of new aluminum was produced in the United States last year. This compares with a production of 225,000,000 pounds for the corresponding previous period. Signifying the monopoly characteristics of the industry the price of this metal remained steady at 24.3 cents a pound until June last and even then was reduced but one cent a pound, a level which prevailed for the balance of the year.

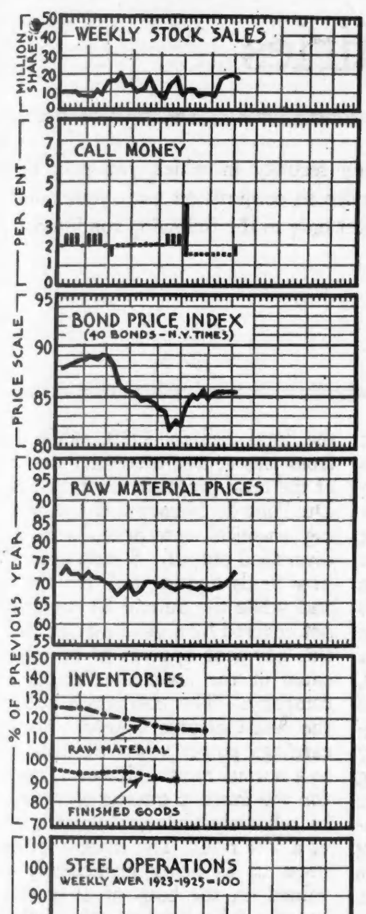
AUTOMOBILES—Automobile production schedules call for an output of some 275,000 units during the course of the present month, a gain of about 25% over the actual figures for February. Although even this improvement makes poor showing in comparison with last year, it is nevertheless a gratifying sign of business betterment. Activity as usual is centering among manufacturers in the low price range.

COPPER—The better outlook for the copper industry has received a setback. Last week the export price was reduced sharply from 10.80 cents a pound to 10.30 but here the demand became sufficient to cause an equally sharp rally to 10.55 cents a pound. These backing and filling tactics are a disheartening development for holders of copper securities for whom it appeared improvement was well underway. The metal is currently quoted 10.25 cents a pound.

POTASH—The near monopoly of the Franco-German potash syndicate is now to be questioned. Anglo-American interests have decided to develop on a large scale the potash deposits of New Mexico, which are said to contain a sufficient supply of this commodity to furnish the needs of the United States for many years to come. Potash is extensively used in the fertilizer and other industries.

The Magazine of Wall Street's Indicators

Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1931 Indexes High	1931 Indexes Low	Recent Indexes Feb. 28	Recent Indexes Mar. 7	1930 Indexes Close	1930 Indexes High	1930 Indexes Low
405	COMBINED AVERAGE	84.4	62.2	84.4	81.4	62.2	140.7	59.9
5	Agricultural Implements	142.4	105.9	142.4	130.8	112.0	405.5	105.7
8	Amusement	121.9	88.5	117.8	113.5	88.5	118.1	85.6
22	Automobile Accessories	74.9	47.8	69.0	74.9	47.8	118.1	46.2
20	Automobiles	35.6	25.5	35.6	34.6	25.5	78.4	24.5
4	Aviation (1927 Cl.—100)	74.2	39.9	74.2	70.5	39.9	153.1	35.4
3	Baking (1926 Cl.—100)	38.4	23.8	38.4	34.4	23.8	74.2	23.8
2	Biscuit	212.8	185.5	206.8	204.6	185.5	248.1	179.6
5	Business Machines	162.2	128.6	162.2	150.0	128.6	262.7	123.5
2	Cans	188.5	157.0	183.6	182.8	157.0	226.0	151.8
8	Chemicals & Dyes	157.8	121.7	149.6	149.2	126.0	248.5	124.3
3	Coal	71.8	35.4	71.8	66.0	35.4	107.9	34.4
22	Construction & Bldg. Material.	73.7	48.3	72.4	68.2	48.3	121.8	46.2
12	Copper	92.4	70.4	92.4	89.3	70.4	211.7	67.0
2	Dairy Products	94.8	83.0	93.3	94.0	83.0	125.1	80.7
9	Department Stores	28.9	21.5	28.9	27.5	21.5	51.6	20.4
8	Drugs & Toilet Articles	120.4	83.0	120.4	113.7	83.0	142.0	79.4
8	Electric Apparatus	149.3	115.8	148.0	141.5	115.8	239.1	114.9
4	Fertilizers	21.5	14.5	20.0	19.2	14.8	54.4	13.7
2	Finance Companies	91.3	74.3	91.3	89.2	77.6	148.4	68.5
7	Food Brands	78.8	64.4	76.7	75.8	64.4	93.5	62.1
4	Food Stores	77.3	50.3	77.3	73.6	50.3	124.6	50.0
4	Furniture & Floor Covering	51.7	31.6	50.4	49.1	31.6	119.2	30.1
7	Household Equipment	43.8	29.9	42.4	42.8	29.9	92.5	28.6
10	Investment Trusts	89.5	61.0	89.5	85.8	61.0	184.9	58.9
3	Mail Order	92.5	52.3	91.0	92.5	52.3	170.0	51.5
39	Petroleum & Natural Gas	69.2	52.4	68.8	62.2	52.4	142.5	50.9
8	Phono. & Radio (1927—100)	68.8	37.2	68.8	64.3	37.2	175.2	36.8
20	Public Utilities	191.4	150.4	190.9	191.4	150.4	305.0	141.1
10	Railroad Equipment	73.1	57.8	73.0	70.4	57.8	115.4	55.5
38	Railroads	88.4	69.3	85.0	79.8	60.8	144.5	67.1
3	Restaurants	100.7	81.9	96.1	97.3	81.9	153.1	78.9
5	Shipping	38.0	28.9	31.5	31.0	28.9	88.8	28.9
2	Soft Drinks (1926—100)	180.0	152.4	180.0	173.0	160.4	246.5	150.8
13	Steel & Iron	92.3	63.5	92.3	89.7	63.5	146.5	61.4
6	Sugar	18.0	12.5	17.4	15.2	12.5	45.1	12.2
2	Sulphur	218.0	170.3	209.1	205.6	170.3	268.7	163.0
3	Telephone & Telegraph	132.4	97.4	126.8	128.5	97.4	117.2	92.6
6	Textiles	43.9	23.7	43.9	41.5	23.7	70.5	21.1
7	Tire & Rubber	13.5	10.9	13.4	13.2	10.9	39.0	10.9
9	Tobacco	74.5	59.3	73.7	72.6	59.3	107.3	57.5
5	Traction	86.1	67.0	86.1	81.8	67.0	103.5	63.2
2	Variety Stores	75.2	68.5	73.8	72.4	68.5	88.7	66.5

(An unweighted Index of weekly closing prices; compensated for stock dividends, rights, and split-ups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

PERSONAL SERVICE SECTION

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your requests to *three securities only.*
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

TIMKEN ROLLER BEARING CO.

How do you rate Timken Roller Bearing common at this time? Is 1931 likely to witness the wide adoption of this company's product by leading railroads? The stock has been highly recommended to me as possessing excellent profit possibilities this year. What is your judgment?—D. T. A., Rome, Ga.

Timken Roller Bearing Co. occupies a dominant position in world production of roller bearings and is recognized as the leading factor in the manufacture of electric steel and alloy seamless tubing. Originally catering primarily to the automotive industry, use of the company's products has spread in recent years to the railroads, general machinery and industrial fields, agricultural, sugar, cement, aviation and printing industries with highly satisfactory effectiveness. Growth of the company has been little less than phenomenal, credit for which should be given to its aggressive, yet conservative, management. During the course of its expansion, the company, at no time, has found it necessary to seek outside financial aid, costs of additions and betterments being met entirely out of earnings and reserves set aside for that purpose. With the exception of 1924, earnings have registered annual increases in each year from 1923 to and including 1929. Although the company is becoming less dependent on the automotive industry, that industry still accounts for the major part of its revenues. With this fact in mind, it is not surprising that operations during last year were substantially less profitable than the preceding year. Latest earnings statement available is that covering the first nine months of 1930, when net income amounted to $3.02 a common share, against $5.06 a share for the corresponding period of 1929. In view of the comparative inactivity of the automobile companies and curtailment of operations in other industries in the final quarter, full 1930 returns, it is believed, were little better than those recorded in the first three quarters of the year. Improvement in earnings, obviously, must necessarily correspond with the return of more normal industrial conditions, which trend is likely to be very gradual. Although long term prospects for the company are favorable, we see no reason for hastening purchases of the shares, believing that they will probably be obtainable at more attractive prices at a later date.

E. I. du PONT de NEMOURS & CO.

Du Pont common has been recommended to me for semi-investment by a conservative house as an issue that should be one of the leaders in the next advance in the general market. What is your counsel? —J. F. M., Tacoma, Wash.

Operations of E. I. du Pont de Nemours & Co. last year were severely curtailed by the business recession, sales and earnings declining 18% and 28% respectively from 1929 levels. Net earnings of $55,962,009 in 1930, or $4.64 per share of common stock compared with $78,171,730 equivalent to $7.08 per share in the previous year. The company's chief source of income is the General Motors Corp., in which a 23% interest is held. The General Motors Corp. contributed 58.9% to the total net in 1930, while income from this source accounted for 54.9% of the total profits in the previous year. Du Pont de Nemours & Co. is a leading chemical enterprise, with a well-diversified output. Steady expansion in new fields augurs well for the future and while the annual $4 dividend was not covered by a good margin last year, this payment appears to be secure because of the financial strength of the company. The company's position in the trade assures a return to former earnings power when business returns to a normal basis. However, the report for the current quarter is expected to be relatively unfavorable with business at a low rate. The stock does not impress us as being particularly undervalued on the basis of 1930 earnings, but the inherent strength of the company gives the issue considerable merit. We suggest that you await a reactionary period before making a commitment.

AMERICAN BRAKE SHOE & FOUNDRY CO.

Will you please let me have your latest analysis of American Brake Shoe common? I have 300 shares at 52. Do you think I should switch to another issue in the hope of recovering my loss more rapidly?—G. A. B., Fairmont, W. Va.

While the falling off in buying of equipment by railroad and automotive manufacturers in 1930 had an adverse effect on earnings of the American Brake Shoe & Foundry Co., its operations are varied and profits were relatively satisfactory. A large replace-

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

ment business is carried on, and this branch enabled the company to report earnings equivalent to $3.24 per share last year, as compared with $3.71 in the previous twelve months. The program of diversification is being continued and the importance of automotive requirements tends to augment earnings when railroad buying recedes. A strong financial position has been built up, as close to $10,000,000 has been added to surplus in the ten years to 1929. Investments in associated companies are carried on the company's book at a figure far below the actual worth. Capitalization comprises but two classes of stock, 95,385 shares of 7% preferred and 690,991 shares of junior stock. The common stock has been on a dividend basis without interruptions since the recapitalization in 1920. The present annual payment on the common stock of $2.40 a share is covered by a good margin. A sharp near term advance in the quoted value of the shares is not looked for in view of present business conditions, but we suggest that you hold the shares for income and longer term possibilities.

COMMERCIAL CREDIT CO.

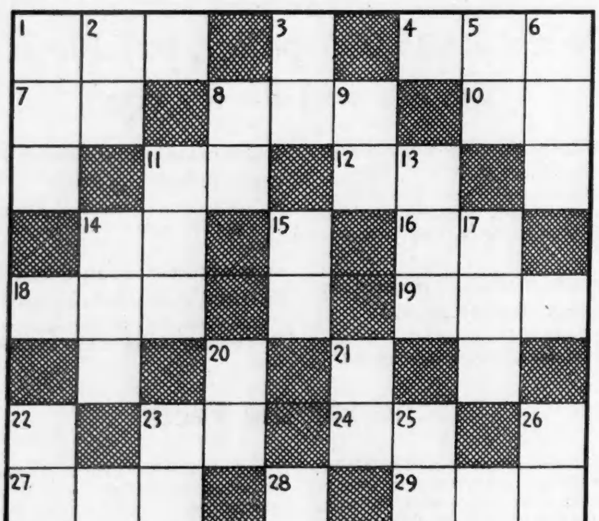
I feel that any sustained pick up in business will revive interest in Commercial Credit common. My holdings consist of 300 shares at 39. Shall I buy more around 23? Do you think the $2 dividend may be cut?—L. A. F., Kingston, N. Y.

Commercial Credit Co. is engaged in the purchase of notes, acceptances, installment liens and open accounts; business consisting principally of financing sales of automobiles, refrigerators, radios, household appliances, motor boats and airplanes. It has rapidly expanded its facilities since organization and now occupies an outstanding position, with operations international in scope. Acquisitions in recent years have been made by the company with a view toward diversification of its financing activities, thus lending greater stability to earning power. Early in 1930 it acquired control of Credit Alliance Corp., and before the close of the year absorbed the businesses of Aviation Credit Corp., and American Rediscount Co. Generally depressed business conditions prevailing last year coupled with increased operating expenses due to increase in past due accounts, repossessions and losses, are reflected in considerably lower profits than those registered in the preceding year. However, net results were sufficient to cover dividend requirements on its common stock; a factor that is gratifying, when consideration is given to 1930 earnings reports of the general run of companies. Net income amounted to $4,078,941, equivalent, after preferred dividends, to $2.03 a

How Well Do You Know Your Ticker Symbols?

Solve The Magazine of Wall Street's Cross Word Puzzle and Find Out

The puzzle outlined below is made up entirely of the ticker symbols of the companies given. All stocks are listed on the New York Stock Exchange. Solving this and subsequent puzzles will prove an interesting demonstration of your ability to read the tape and has the practical advantage of widening your knowledge of the most frequently used ticker abbreviations. The correct solution and the next puzzle will appear in the following issue.



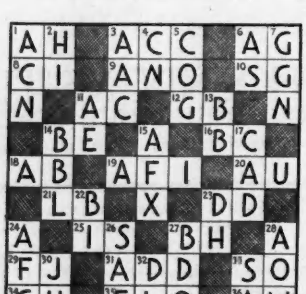
ACROSS

1 Debenham Sec. Ltd.
3 Davison Chemical
4 Devoe & Raynolds
7 Goodrich Co.
8 Electric Boat
10 Royal Dutch
11 Amer. Steel Found.
12 Elkhorn Coal Corp.
14 Delaware & Hudson Co.
16 Oliver Farms Equipment
18 Nat. Enameling & Stamping Co.
19 Federal Light & Traction
23 Duluth South Shore & Atl. Ry.
24 Coca Cola Co.
27 Borden Co.
28 Erie R. R.
29 Butterick Co.

DOWN

1 Canada Dry Ginger Ale
2 Electric Storage Battery
3 Delaware Lack. & Western R. R.
5 Remington Rand
6 A. G. Spalding
8 Endicott Johnson
9 Brooklyn Edison
11 F. G. Shattuck Co.
13 Household Finance
14 Denver & Rio Grande R. R.
15 Equitable Building
17 Florsheim Shoe
20 Federal Mining & Smelting
21 Eastman Kodak
22 Burns Bros.
23 Dome Mines
25 Owens Illinois Glass Co.
26 New York Dock Co.

Solution to Puzzle in Last Issue



common share compared with net of $6,011,697 or $4.48 a share in 1929. In spite of depressed conditions, losses and delinquent paper at the close of 1930 were still negligible. Outlook for the current year foreshadows little improvement during the first half; but in view of more favorable longer term prospects, we suggest retention of speculative commitments made at higher levels. On the other hand, additional purchases should be deferred, pending definite indications of earnings improvement.

R. J. REYNOLDS TOBACCO CO.

Isn't it probable that the new humidor package which is being featured for Camel cigarettes will create some demand for Reynolds Tobacco B? I contemplate buying 200 shares if you approve such a commitment.—F. R. L., Waterloo, Iowa.

The earnings of the R. J. Reynolds Tobacco Co. in 1930 established a new high record, completing ten years of consecutive gains in income. A comparison of earnings of this company in 1920 with 1930 gives an excellent picture of the remarkable strength of the enterprise and the cigarette branch of the tobacco industry. The net income in 1920 totaled $10,691,294, while ten years later the net profits aggregated $34,256,665, a gain of more than 220%. The 1930 results were equivalent to $3.43 per share of common stock, as against $3.22 in 1929. The increase last year probably was due chiefly to a wider margin of profit, as indications of any appreciable gain in sales are lacking. The company had the benefit of the 6⅔% advance in wholesale cigarette prices for the greater part of 1930. The new humidor package for the Camel cigarette, the company's chief product, is being widely advertised and it is reasonable to assume that it will have a favorable effect on sales. The annual $3 dividend is covered by a fair margin, the company's financial position is very strong, and the outlook is entirely favorable. The stock is suitable for purchase by investors wishing to participate in the growth of the cigarette industry.

LEHN & FINK PRODUCTS CO.

Do you regard Lehn & Fink common as an attractive speculation in the lower thirties? I already hold 250 shares at 52. What is the status of the $3 dividend?—S. S. J., Lockport, N. Y.

Lehn & Fink Products Co., through subsidiaries, is engaged in the manufacture and sale of cosmetics, disinfectants and tooth pastes, which are distributed under the well-known trade

(Please turn to page 712)

Securities Analyzed, Rated and Mentioned in This Issue

INDUSTRIALS

RAILROADS

PUBLIC UTILITIES

Important Corporation Meetings

Company	Specification	Date of Meeting
Amer. Can Co	Common Dividend	3-31
Amer. Home Products Co.	Com. Dividend	3-26
Am. Light & Tr. Co.	Pfd. & Com. Divs.	3-24
Anaconda Copper Mining Co.	Directors	3-26
Central Hudson G. & E. Corp.,	Pfd. & Com. Divs.	3-21
Corn Prod. Refn. Co.	Pfd. & Com. Divs.	3-27
Delaware, Lack. & West. Ry.	Com. Div.	3-26
Diamond Match Co.	Common Dividend	3-26
Electric Power & Light Corp.,	2nd Pfd. A & Com. Dividends	3-25
Gold Dust Corp.	Common Dividend	3-25
Insurance Securities Co., Inc.	Directors	3-25
Inter. Rys. of Central Amer.	Pfd. Div.	3-26
Liquid Carbonic Corp.	Com. Dividend	3-26
Northern Pacific Ry. Co.	Com. Dividend	3-25
Telautograph Corp.	Com. Dividend	3-26
Toledo Edison Co.	7% & 6% Pfd. Divs.	3-26
U. S. Industrial Alcohol	Directors	3-26
U. S. Steel Corp.	Annual	4-20
Westinghouse Elec. & Mfg. Co.	Annual	4-8
Westvaco Chlorine Prod. Co.	Annual	3-25

New York Stock Exchange

RAILS

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/11/31	Share
A								
Atchison	298⅝	195⅛	242⅛	168	203⅜	178⅛	186¼	10
Do Pfd.	104⅞	99	103¾	100	107½	102½	107½	5
Atlantic Coast Line	209⅛	161	175⅛	95¼	120	105	108	10
B								
Baltimore & Ohio	145⅛	105	122⅜	55⅝	87⅞	68⅛	77	7
Bangor & Aroostook	90⅝	55	84⅛	50⅛	66¾	56⅛	60	3½
Brooklyn-Manhattan Transit	81⅞	40	78⅜	55⅛	69⅜	58¾	65¾	4
Do Pfd.	98⅝	76⅛	96¾	83	94¼	85⅝	†92½	6
C								
Canadian Pacific	265⅞	185	52¼	35⅛	45⅜	38⅛	42	2½
Chesapeake & Ohio	279¾	160	51⅝	32⅜	46⅛	39½	42½	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅝	4¼	8⅞	5¼	6⅞	..
Do Pfd.	68⅝	28⅛	46¼	7⅜	15⅜	9½	11¾	..
Chicago & Northwestern	108⅛	75	89⅞	28⅛	45½	33	39	4
Chicago, Rock Is. & Pacific	143½	101	125⅛	45¼	65½	47¼	60	5
D								
Delaware & Hudson	226	141½	181	130⅛	157¼	141	146	9
Delaware, Lack. & Western	169¾	120¼	153	69½	102	80	†80⅛	6
E								
Erie R. R.	93⅛	41⅛	63¾	22⅛	39¾	28	32	..
Do 1st Pfd.	66¼	55⅛	67⅞	27	45½	39	44½	4
G								
Great Northern Pfd.	128¼	85¼	102	51	69⅜	58½	64¼	5
H								
Hudson & Manhattan	58⅜	34½	53⅝	34⅞	44½	37	†42	3½
I								
Illinois Central	153⅛	116	136¾	65⅜	89	69⅝	74¾	7
Interborough Rapid Transit	58⅜	15	39½	20⅜	34	24½	30⅜	..
K								
Kansas City Southern	108⅞	60	85⅜	34	45	35	†42	5
Do Pfd.	70⅛	63	70	53	64	35	†60	4
L								
Lehigh Valley	102¼	65	84⅞	40	61	53	†53	2½
Louisville & Nashville	154¾	110	138½	84	111	90⅛	98	7
M								
Mo., Kansas & Texas	65¾	27⅛	66⅝	14⅞	26¾	20	21⅝	3
Do Pfd.	107⅛	93⅞	108⅜	60	85	70	78½	7
Missouri Pacific	101⅜	46	98½	20⅜	42¾	30⅛	33	..
Do Pfd.	149	105	145½	79	107	86⅛	99	5
N								
New York Central	256½	160	192¾	105⅛	132¼	113	113⅝	6
N. Y., N. H. & Hartford	132½	80⅞	128⅛	67⅝	94⅞	75	89¼	6
Norfolk & Western	290	191	265	181⅛	217	200	204⅛	12
Northern Pacific	118⅞	75⅛	97	42⅜	60⅞	47¼	53½	5
P								
Pennsylvania	110	72⅛	86⅝	53	64	55⅞	59⅛	4
Pere Marquette	260	140	164½	76⅛	85	76	†75½	8
R								
Reading	147¾	101½	141½	73	97½	79	†80	4
S								
St. Louis-San Fran.	133¾	101	118⅞	39⅜	62¾	38¼	39⅛	..
St. Louis-Southwestern	115⅜	50	76⅜	18	33½	23	25¼	..
Seaboard Air Lines	21⅜	9⅛	12⅛	⅛	1⅜	½	⅞	..
Do Pfd.	41⅜	16¼	28	⅛	2⅛	1	1¼	..
Southern Pacific	157½	105	127	88	109½	92¾	103¼	6
Southern Railway	162⅛	109	136¾	46½	65⅞	47¾	53	8
Do Pfd.	100	93	101	76	83	80	†79½	5
U								
Union Pacific	297⅝	200	242¾	166½	205⅛	179¾	190¼	10
Do Pfd.	85⅛	80	88⅝	82¼	86¾	83⅝	†85⅝	4
W								
Wabash	81⅜	40	67⅜	11¼	26	17	17¼	..
Do Pfd. A	104⅞	82	89¼	39	51	38¼	†36	..
Western Maryland	54	10	36	10	19⅝	13¼	16	..
Do 2nd Pfd.	53⅛	14⅝	38	11¼	20	16	†15¾	..
Western Pacific	41⅞	15	30⅛	7½	14¾	10	†11⅝	..
Do Pfd.	67¾	37½	53½	23	31⅝	26	28	..

INDUSTRIALS AND MISCELLANEOUS

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/11/31	Share
A								
Adams Express	34	20	37⅜	14¼	23½	16⅛	22	1.60
Air Reductions, Inc.	223⅝	77	156⅝	87½	109⅜	92½	98⅜	4½
Alleghany Corp.	56½	17	35¼	5⅝	12¾	7⅜	9¾	..
Allied Chemical & Dye	354¾	197	343	170¼	182¾	148¼	150	6
Allis Chalmers Mfg.	75⅛	35⅛	68	31¼	42⅜	32⅞	37	3
Amer. Brake Shoe & Fdy	62	40½	54⅝	30	38	32	35	2.40
American Can	184½	86	156½	104⅝	129⅜	106¼	124⅝	5
Amer. Car & Fdy.	106½	75	82½	24⅛	38⅜	27	35	3
Amer. & Foreign Power	199½	50	101¾	25	51¾	26⅝	47	..
American Ice	54	29	41⅞	24½	31⅝	23¾	†29⅜	3
Amer. International Corp.	96¾	29⅛	55⅜	16	26	18½	21½	2
Amer. Mchy. & Fdry.	279¾	142	45	29¾	48⅝	31	43	1.40
Amer. Power & Light	175¾	64¼	119⅜	36⅛	64⅞	45	58⅛	1
Amer. Radiator & S. S.	55⅜	28	39⅜	15	21¼	15⅛	20⅛	1
Amer. Rolling Mill	144⅝	60	100⅞	28	37⅜	26⅛	29¼	..
Amer. Smelting & Refining	130¼	62	79½	37⅛	58½	40⅛	51¾	4
Amer. Steel Foundries	79⅞	35¾	52¼	23½	31¼	25	27⅞	3
American Stores	514	120	55½	36½	48¼	37	47⅞	2½
Amer. Sugar Refining	94¾	56	69⅞	39¼	57½	42¾	54	5
Amer. Tel. & Tel.	310½	193¼	274¼	170⅜	201¾	176¼	196	9
Amer. Tobacco Com.	232½	160	127	98½	120½	104	118	6
Amer. Water Works & Elec.	199	50	124⅝	47⅝	80⅜	53⅜	72¼	3

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 3/11/31	Div'd $ Per Share
A								
Anaconda Copper Mining	140	67¼	81⅛	25	43¼	29⅜	38⅜	2½
Arnold-Constable Corp.	40⅞	6¼	13¾	3½	7⅞	3⅝	6⅝	..
Assoc. Dry Goods	70¾	25	50½	19	28½	22	26	2½
Atlantic Refining	77⅞	30	51⅜	16⅝	23⅝	18	19⅛	1
Auburn Auto	85	40	263¾	60⅜	217½	101½	193	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅜	27½	20⅜	24⅝	1⅜
Barnsdall Corp. Cl. A	49⅛	20	34	8⅝	14½	11¼	12	1
Beech Nut Packing	101	45	70⅛	46¾	60	50	57⅛	3
Bendix Aviation	104⅜	25	57⅜	14⅛	25½	16⅞	22⅛	1
Best & Co.	60⅞	25	56¼	30⅜	44⅞	32¼	42¼	2
Bethlehem Steel Corp.	140⅜	78¼	110¼	47⅜	70⅜	45⅝	63¼	6
Bohn Aluminum	136¾	37	69	15¾	35	20¾	33⅞	1½
Borden Company	100½	53	90⅜	60⅛	75⅜	67½	73	3
Borg-Warner	86⅞	26	50⅛	15	30⅜	20⅝	28	1
Briggs Mfg.	63⅛	8½	25⅜	12⅛	22⅜	16½	20⅛	1⅝
Burroughs Adding Mach.	96⅞	29	51⅞	18⅜	32¼	21½	27⅞	1½
Byers & Co. (A. M.)	192⅞	50	112⅜	33⅛	69¾	37⅝	59¼	..
C								
California Packing	84⅞	63⅛	77⅛	41¼	53	42¾	45	4
Calumet & Arizona Mining	136¾	73⅛	89⅞	28⅝	42⅝	36¾	40¼	..
Calumet & Hecla	61⅞	25	33⅜	7¾	11⅜	8	9¾	..
Canada Dry Ginger Ale	98¾	45	75⅜	30⅛	40¼	29⅞	36⅛	3
Case, J. I.	467	130	362¾	83⅛	131½	81¾	116	6
Caterpillar Tractor	61	50¼	79⅜	22	52½	26⅞	45⅛	4
Cerro de Pasco Copper	120	52¼	65⅜	21	20½	22½	26⅛	2
Chesapeake Corp.	92	42⅛	82½	32¼	54⅛	4	45½	3
Childs Co.	75⅞	44¼	67⅝	22⅞	33¾	25½	†30¾	2.40
Chrysler Corp.	135	26	43	14⅛	25¾	15⅞	24¼	1
Coca-Cola Co.	154½	101	191⅜	133¼	170	142⅛	164⅛	7¼
Colgate-Palmolive-Peet	90	40	64⅞	44	49⅞	47	47⅝	2½
Colorado Fuel & Iron	78½	27¾	77	18¾	32¼	21⅞	28⅛	1
Columbian Carbon	344	105	199	65⅛	111⅝	73⅛	98¼	6
Colum. Gas & Elec.	140	52	87	30⅝	45	33¼	42⅛	2
Commercial Credit	62⅝	18	40⅜	15⅛	23¼	18⅛	21⅛	2
Commercial Solvent	63	20⅛	38	14	21½	15⅛	19⅛	1
Commonwealth Southern	24¾	10	20⅛	7½	12	8	11⅝	.60
Consolidated Gas of N. Y.	183¼	80⅛	136⅞	78¼	107⅜	82⅛	104⅝	4
Continental Baking Cl. A	90	25¼	52⅛	16¾	30	17¾	24⅞	..
Continental Can, Inc.	92	40⅛	71⅝	43⅛	59⅞	47	54¼	2½
Continental Oil	47½	18	30⅛	7¾	12	9⅛	9⅜	..
Corn Products Refining	126⅝	70	111⅜	65	86⅝	76½	84	3½
Crucible Steel of Amer.	121¾	71	93⅝	50⅛	63	55	58	5
Cudahy Packing	67⅞	38	48	38⅛	47	41	47	4
Curtis Publishing	132	100	126⅛	85	100	89⅞	†91⅛	6
Curtiss Wright, Common	30⅛	6⅝	14⅞	1¾	5⅞	2⅝	5⅛	..
Curtiss Wright, A	37⅞	13¼	19¾	3	8½	3⅞	7½	..
D								
Davison Chemical	69⅛	21¼	43⅝	10	23	13½	19	..
Drug, Inc.	126⅛	69	87⅜	57⅝	73¾	61½	72½	4
Du Pont de Nemours	231	80	145¼	80⅛	102⅞	83¼	97¼	4
E								
Eastman Kodak Co.	264¾	150	255¼	142⅛	185¾	143⅜	168¼	8
Eaton Axle & Spring	76¾	18	37¼	11⅝	21⅛	13⅜	20⅜	1.60
Electric Auto Lite	174	50	114⅞	33	74⅜	50⅝	72½	6
Elec. Power & Light	86⅝	29⅛	103⅛	34⅜	60¾	38¼	58	1
Elec. Storage Battery	104½	55	79¼	47½	65⅝	50⅞	62¾	5
Endicott-Johnson Corp.	83⅜	49¼	59⅝	36⅞	41	30	†38	5
F								
Firestone Tire & Rubber	37	24½	33¼	15⅛	19⅜	17	†17⅝	1
First National Stores	90	44½	61⅜	38⅝	55	41	54	2½
Foster Wheeler	95	33	104⅛	37⅛	64⅛	41⅛	60	2
Fox Film Cl. A	105⅝	19⅛	57⅜	16⅛	38⅜	25⅜	32½	4
Freeport Texas Co.	54⅞	23¾	55½	24⅛	42	28½	37	4
G								
General Amer. Tank Car	123⅛	75	111⅞	53⅛	73⅛	57¾	69⅞	4
General Asphalt	94¾	42¼	71⅛	22⅜	45⅛	24¼	37⅜	3
General Electric	403	168⅛	95⅜	41⅛	54¾	41⅜	51⅛	1.60
General Foods	81¾	35	61¼	44⅜	55	47¾	53⅝	3
General Mills	89⅛	50	59⅛	40⅛	48¾	44	†45½	3
General Motors Corp.	91¾	33½	54¼	31½	45⅜	35¼	44⅛	3
General Railway Signal	126½	70	106⅞	56	84⅛	68	†79	5
General Refractories	88⅛	50	90	39	57⅜	40	50¾	4
Gillette Safety Razor	143	80	106⅛	18	34⅞	21⅛	32⅛	..
Gold Dust Corp.	82	31½	47⅞	29	39⅝	31¼	38⅞	2½
Goodrich Co. (B. F.)	105¾	38¼	58⅛	15¼	20⅞	15¼	18¾	..
Goodyear Tire & Rubber	154½	60	96⅞	35⅛	52¾	38⅜	48¼	5
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	22⅝	15⅛	19¾	2
Grand Union	32⅞	9⅛	20⅝	10	17⅞	10⅝	16⅜	..
Great Western Sugar	44	28	34½	7	11⅞	7¾	9⅛	..
Gulf States Steel	79	42	80	15	37½	18⅝	30	..
H								
Hershey Chocolate	143⅞	45	109	70	97⅝	87	95	5
Houston Oil of Texas	109	26	116⅞	29¼	68½	35¼	54	..
Hudson Motor Car	92½	38	62⅞	18	26	18⅝	22⅛	1
Hupp Motor Car	82	18	26⅝	7½	13⅛	7¾	11⅝	..
I								
Inland Steel	113	71	98	58	71	59⅜	†66½	4
Inter. Business Machines	225	109	197¼	131	179¾	145½	167⅛	6
Inter. Cement	102¾	48	75⅜	49⅛	62½	49⅝	57⅛	4
Inter. Harvester	142	65	115¾	45¼	60½	48	56⅞	2½
Int. Match Pfd.	102⅛	47	92	52¼	69¾	55	67⅞	4
Inter. Nickel	72¾	25	44⅜	12¾	20⅛	13⅞	17⅝	.60
Inter. Paper & Power "A"	112	57	31½	5⅛	10¼	6⅞	8⅝	..
Inter. Tel. & Tel.	149¼	53	77⅜	17½	33¾	18¾	36⅝	2
J								
Jewel Tea	84½	45	66⅛	37	57½	39¼	53	4
Johns-Manville	242¾	90	148⅜	48¾	77⅞	52½	74	3
K								
Kennecott Copper	104⅞	49⅜	62¾	20⅛	31½	22½	28¼	2
Kresge Co. (S. S.)	57½	28	36¾	26⅛	27⅞	25	27	1.60
Kreuger & Toll	46⅜	22⅛	35⅜	20⅜	26⅜	20⅞	26¼	1.60
Kroger Grocery & Baking	122⅛	33¼	48⅛	17⅛	33	18	31⅛	1

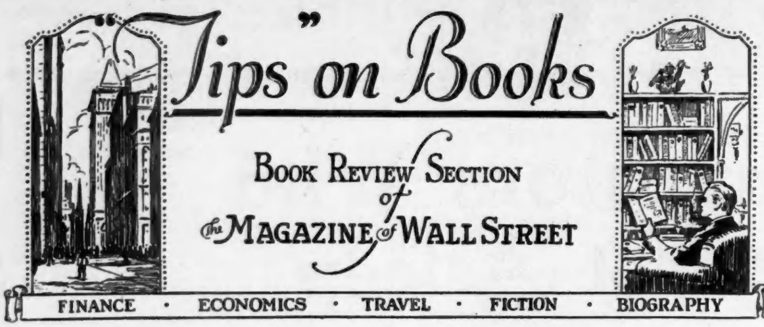
Dividends and Interest

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/11/31	Share
L								
Lambert Co.	157¼	80⅝	113	70⅜	86¾	77⅛	83⅛	1
Lehn & Fink	68½	23	36	21	34¾	24	33½	3
Liggett & Myers Tob. B	106	80¼	114¾	78¼	91¾	83	88½	5
Liquid Carbonic	113⅞	40	81⅞	39	55⅛	41⅝	52½	4
Loew's, Inc.	84½	32	95¾	41⅜	63⅛	45¼	56	3
Loose-Wiles Biscuit	88⅝	39⅛	70¼	40¼	54¾	43⅜	52⅝	2.70
Lorillard	31½	14¼	28⅛	8⅜	18⅛	11⅝	17¼	..
M								
Mack Truck, Inc.	114¾	58½	88½	33⅜	43⅞	35¾	40¾	3
Macy (R. H.)	255½	110	159¼	81⅝	106¼	83	99	3
Magma Copper	82½	65	52½	19¼	27⅜	20¼	22¾	2
Marine Midland	..	..	32½	17⅜	24¼	19⅝	22⅝	1.20
Mathieson Alkali	72⅜	29	51⅜	30¼	31½	23⅛	25¾	2
May Dept. Stores	108½	45½	61⅜	27⅜	39	28⅝	37⅛	2½
McKeesport Tin Plate	82	54	89½	61	87¾	71½	86⅝	5
Mont. Ward & Co.	156⅞	42⅝	49⅞	15⅛	29¼	15¾	25⅞	..
N								
Nash Motor Co.	118⅞	40	58½	21¼	38⅞	27¼	37⅛	4
National Biscuit	236¾	140	93	68⅝	83¾	76	80¾	2.80
National Cash Register A	148¾	59	83⅛	27⅝	39¾	29	34¾	3
National Dairy Prod.	86½	36	62	35	48	38⅛	47	2.60
National Lead	310	129¼	139½	114	132	118⅛	122½	5
National Power & Light	71¾	23	58⅝	30	44¼	31⅝	41½	1
North American Co.	186¾	66½	132⅞	57¼	90⅛	62	85½	§10%
O								
Otis Elevator	65	22¼	80⅜	48¼	58½	52¼	54¾	2½
Otis Steel	55	22¼	38⅞	9½	16⅜	10	14	..
P								
Pacific Gas & Electric	98¾	42	74⅞	40⅛	54⅞	45¼	52⅛	2
Pacific Lighting	146⅛	58⅛	107⅞	46	67¼	50¼	65⅝	3
Packard Motor Car	32½	13	23⅜	7¼	11⅞	8¾	10⅜	.60
Paramount Publix	75½	35	77¼	34¾	50¼	36⅝	44	4
Penney (J. C.)	105¼	66	80	27⅝	39⅝	28¼	37¼	2.40
Phillips Petroleum	47	24¼	44¾	11½	16⅝	11	11⅛	..
Prairie Oil & Gas	65⅝	40½	54	11¼	20⅜	12¾	15⅝	2
Prairie Pipe Line	65	45	60	16⅝	26⅛	17⅞	22	3
Procter & Gamble	98	42⅛	78⅞	59⅝	71¼	63	70½	2.40
Public Service of N. J.	137⅜	54	123⅜	65	91	72	88⅝	3.40
Pullman, Inc.	99¼	73	89⅜	47	58½	49¾	55½	4
Pure Oil	30⅜	20	27¼	7⅝	11⅞	8¾	9	..
Purity Bakeries	148⅝	55	88⅞	36	53⅞	38	49½	4
R								
Radio Corp. of America	114¾	26	69⅜	11⅝	27⅛	12	23¾	..
Radio-Keith-Orpheum	46⅞	12	50	14⅜	23⅝	15¾	21½	..
Remington-Rand	57⅞	20⅝	46⅛	14⅛	19¾	14½	15	..
Republic Steel	146¼	62¼	79½	10½	25⅜	12	21	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	49¾	40⅝	49	3
Royal Dutch	64	43⅛	56⅛	36⅞	42⅝	37½	37½	1.34
S								
Safeway Stores	195¼	90½	122⅜	38⅜	63	38⅝	56⅜	5
Sears, Roebuck & Co.	181	80	100⅝	43½	63¼	44⅞	58	2½
Shell Union Oil	31¾	19	25½	5¼	10¼	7⅝	7⅝	..
Simmons Co.	188	59½	94⅞	11	23¾	14⅜	19	..
Sinclair Consol. Oil Corp.	45	21	32	9⅜	15⅞	10⅛	13	1
Skelly Oil Corp.	46½	28	42	10⅛	12⅞	8½	8⅞	..
So. Cal. Edison	98¼	45⅛	73	40⅛	54½	45⅝	52¼	2
Standard Brands	44¾	20	29¼	14⅛	20½	16¼	19⅜	1.20
Standard Gas & Elec. Co.	243¾	73½	129¼	53½	88⅝	58	85¼	3½
Standard Oil of Calif.	81⅞	51½	75	42¼	51¾	45⅛	45½	2½
Standard Oil of N. J.	83	48	84⅞	43½	52½	44⅝	45⅜	2
Standard Oil of N. Y.	48⅛	31⅜	40⅝	19⅜	26	21⅞	22¼	1.60
Stewart-Warner Speedometer	77	30	47	14⅜	21⅞	14½	20¾	..
Stone & Webster	201½	64	118⅜	37½	49⅞	37¾	47	3
Studebaker Corp.	98	38¼	47¼	18⅛	25⅝	20¼	23½	1.20
T								
Texas Corp.	71⅞	50	60½	28¼	36⅛	30⅛	31⅜	3
Texas Gulf Sulphur	85¼	42½	67⅝	40¼	55¾	45¾	52⅜	4
Tide Water Assoc. Oil	23½	10	17⅝	5⅞	9	6½	7	.60
Timken Roller Bearing	139⅜	58⅛	89¼	40⅛	59	43	57¼	3
U								
Underwood-Elliott-Fisher	181⅜	32	133	49	75¾	51½	69½	5
Union Carbide & Carbon	140	59	106⅝	52¼	72	55½	67⅜	2.60
United Aircraft & Trans.	162	31	99	18⅜	37¾	22½	35	..
United Corp.	75¼	19	52	13⅞	30¾	16⅛	29⅛	.75
United Fruit	158¼	99	105	46½	67¾	51¼	64	4
United Gas Imp.	59⅝	22	49⅜	24¼	35¾	27⅝	34⅜	1.20
U. S. Industrial Alcohol	55⅞	12	139⅝	50⅛	77⅞	54	70⅜	6
U. S. Pipe & Fdy.	243⅝	95	38¼	18⅛	36	27⅝	33¼	2
U. S. Realty	119¼	50½	75⅛	25	36⅜	26¼	33	3
U. S. Rubber	65	15	35	11	18⅛	11¾	17¼	..
U. S. Smelting, Ref. & Mining	72⅞	29⅞	36½	17½	25⅝	18½	24½	1
U. S. Steel Corp.	261¾	150	198¾	134⅜	152⅜	137⅞	144⅜	7
V								
Vanadium Corp.	116½	37½	143¼	44⅜	75¼	45½	69¼	3
W								
Warner Brothers Pictures	64½	30	80¼	9⅜	20⅜	11¾	13¼	..
Western Union Tel.	272¼	155	210⅜	122¼	150⅜	130	137	8
Westinghouse Air Brake	67¾	26½	52	31¼	35⅝	33	†34½	2
Westinghouse Elec. & Mfg.	292⅝	100	201½	88¼	107¾	82⅜	93¾	5
White Motor	58½	27¼	43	21⅝	26¼	22	22⅛	2
Woolworth Co. (F. W.)	103⅞	52¼	72⅜	51½	65	54⅜	60⅜	2.40
Worthington Pump & Mach.	187⅝	43	169	47	106⅝	59⅜	89⅛	..
Y								
Youngstown Sheet & Tube	143	81	150¼	69⅛	77½	73	†75	4

† Bid Price. § Payable in stock.



THE UNITED STATES OF EUROPE

By Edouard Herriot

The Viking Press

HERE are described M. Aristide Briand's plan for a United States of Europe, the reasons why the old world seems well adapted physiographically to such a union, and the possibilities of its successful consummation.

In its entirety, the concept is not new. Back as far as the fifteenth century, the King of Bohemia sought to bring about an alliance of all Christendom against the Turk. Passing years and changing conditions brought other plans for union with varying objectives, but none offered permanence.

The United States of Europe is primarily an economic association. "Still," said M. Briand before the Assembly of the League of Nations in 1929, "I am convinced that, politically and socially also, this federal link might, without affecting the sovereignty of any of the nations belonging to such an association, do useful work." It is necessary, of course, that all this come slowly, but M. Herriot believes that economic forces are gradually bringing about some form of union.

First of all production must be rationalized. Private interests have attempted this through the formation of cartels. "What the producers have long since recognized as a necessity," says M. Herriot, "the politicians are just beginning to see." The same must be done with the economic machinery of Europe—co-ordinate the public works carried cut by the various states, such as supervision of the main roads, canals, railways and telegraphs. It is hard to see how any serious objection could be raised to such a plan.

M. Herriot's book is interesting and very readable and is happily lacking in that antagonistic attitude so frequently encountered in treatises which might be construed as propaganda.

It is interesting to note that since publication of this work, delegates of wheat exporting and wheat importing countries of Europe at a meeting in Paris, at which a certain reciprocity between those two groups of countries was sought, voted favorably on a measure proposing that countries deficient in wheat supply should buy from those with a surplus before placing orders outside of Europe. M. S. D.

GRAND HOTEL

By Vicki Baum

Doubleday, Doran & Co., Inc.

GRAND HOTEL is not so much the story of a hotel as of its patrons. Perhaps that is the reason it seems so much more vivid and compelling than Arnold Bennett's *Imperial Palace* which appeared here earlier in the season. Mr. Bennett's novel might almost be termed a case history of a great hostelry, whose characters are important only as they affect the organization or operation of the hotel. In Miss Baum's account, on the other hand, *Grand Hotel* serves merely as the means of bringing together characters who, except for this one point of contact, are widely separated by station and interests in life.

There is Grusinkaya, the Russian dancer, whose age no one knows, whose art is still as perfect as when she was the toast of Europe but whom a changing taste in the theatre is cheating of popularity. There is Baron Gaigern who plots to steal her famous pearls only to experience such pitying love for her that the very thought of bringing grief to her is repellent to him. There is Kringelein, that pathetic, little figure of a bookkeeper who has only a brief period to live and is determined to fill it with all the things he has ever missed. And there is Preysing, to whom Kringelein meant nothing, yet who represented to the bookkeeper a grinding force and power which he hated and feared but longed to emulate.

The author seems to have had a special interest in Kringelein. We confess to a leaning toward the dramatic adaptation of the story in which Baron Gaigern plays the leading part. Somehow or other interest waned a bit when the Baron made his final tragic appearance, but not sufficiently to put aside the book without finishing it. D.

Answers to Inquiries

(*Continued from page 706*)

names of "Dorothy Gray," "Hind's," "Lysol" and "Pebeco." The company has expanded its operations to an international basis, through control of Lesquendieu, Inc., a wholesale distributor of perfumes and cosmetics in France. Although this company thus far has failed to contribute to the revenues of the parent company, since it is said to be still in a state of development, it eventually should prove an important unit under careful management. The capability of the management may best be illustrated by observing its accomplishments during 1930, a period fraught with business adversities. It should be pointed out that one of the outstanding essentials of the company's operations is the aggressive advertising programs, which necessarily incur heavy expenses. However, it has its compensating features when consideration is given to the fact that, despite generally depressed business conditions, 1930 earnings very nearly approximated those of 1929. Net income for last year amounted to $1,721,608, equivalent to $4.10 a common share, compared with $1,906,269 or $4.59 a share on a smaller capitalization for the preceding year. Financial position at the close of last year was stronger than on December 31, 1929, with ample working capital. Although the company's shares are somewhat speculative, they offer an attractive income return, and on this basis we believe moderate commitments during reactionary periods are justified.

STANDARD BRANDS, INC.

Standard Brands reported better earnings in the final quarter than for any other similar period in 1930. Does this indicate that 1931 should be a banner year for this company? I have 200 shares at 36. Would you approve averaging under 20? Is the $1.20 dividend safe?—A. J. G., Hartford, Conn.

Standard Brands, Inc., in its first full year of consolidated operations, 1930, issued a relatively favorable report. Per share results for 1930, were equivalent to $1.22 per share of common stock, as compared with $1.37 earned by the predecessor units in the previous year. The encouraging factor is that the best results were witnessed in the final quarter of 1930, when $0.34 per share was earned, against $0.31 a share in the three months ended September 30, 1930. Sales thus far in the current year are reported to be ahead of those for the similar period of 1930. This

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them in numerical order. We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

STANDARD OIL ISSUES
We have available for distribution descriptive circular on all the Standard Oil issues. (219).

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to large and small investors. (225).

THE BACHE REVIEW
A summary of the general financial and business situation, published every week by J. S. Bache & Co., 42 Broadway, New York. Sent on application. In writing please mention the Bache Review. (290).

"FOR INCOME BUILDERS"
describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Build a permanent independent income through the systematic investing. (318)

7% INSTALLMENT SAVING CERTIFICATES
of a Colorado building and loan association operating under strict state supervision—their investment features and why—are explained in an interesting folder. (467).

UNCOVERING HIDDEN PROFITS
is the title of a valuable booklet which shows possibilities of profit and savings through use of Addressograph equipment in varied lines of business. Of particular interest to business executives. (699).

HOW TO GET THE THINGS YOU WANT
Tells you how you can become financially independent—how you can retire on an income—how you can provide money for emergencies—money to leave your home free of debt—money for other needs. (703).

BELL TELEPHONE SECURITIES
is the title of a booklet containing investment suggestions for the careful investor. If you are interested in the securities of this important public utility, send for your free copy. (727).

A COMPLETE FINANCIAL LIBRARY IN 11 VOLUMES
These eleven Standard Books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at new low prices. Write for descriptive circular. (752).

AMERICAN COMMONWEALTHS POWER CORP.
has issued its annual report containing a history of the corporation, its earnings, statistical data, and services rendered. A complimentary copy will be sent to you upon request. (761).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

TRADING METHODS
The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. (785).

PARTIAL PAYMENT PLAN
An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

"STOCK AND BOND REGISTER"
A pocket size form for the listing of stocks and bonds will be forwarded upon request without charge. Otis & Co., 216 Superior avenue, N. E., Cleveland, Ohio, or 827.

"MAKING MONEY IN STOCKS"
You will enjoy reading this book published by the Investors' Research Bureau which describes in detail the Bureau's financial service. Free upon request together with current Stock Market reports. (832).

DO YOU SAVE REGULARLY?
Subscribe to the monthly installment shares of the Serial Building Loan & Savings Institute, a building and loan association operating under strict state supervision. Send today for descritive literature. (835).

UTILITIES POWER & LIGHT CORPORATION
An illustrated survey of the Corporation's properties has been prepared and will be mailed to you upon request without charge. This Corporation is one whose earnings were greater in 1930 than in 1929. (839).

"NATIONAL STOCK ANALYSIS"
will assist you in judging the comparative value of stocks in which you may be interested. This comprehensive booklet contains latest available data regarding listed stocks, classified by industries. (844).

HOW TO RECOGNIZE A GOOD UTILITY BOND
A comparative analysis of Associated bonds and other utility bonds, based on tests such as are used by insurance companies and investment banking houses, has been prepared. Copy upon request. (849).

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

STOCK EXCHANGE SERVICE FOR SMALL INVESTORS
M. C. Bouvier & Co. have recently issued this interesting booklet covering their methods in executing orders for small investors. A free copy will be forwarded upon request. (865).

UTILITIES POWER & LIGHT CORPORATION
Pynchon & Co. have issued a circular concerning the securities and properties of this Corporation, which will be sent upon request. (867).

indicates that the uptrend started in the final three months of 1930 is being continued, and that the company is realizing on its national advertising campaign inaugurated last year. Operations in the current year are expected to be at a higher rate than in 1930, as expenses in connection with the consolidation will be out of the way, and the constituent units more closely co-ordinated, with the result that operating costs will be reduced. Standard Brands, Inc., is in a strong financial position, although the liquid condition at the close of 1930 was slightly less satisfactory, due to the payment of dividends in excess of income. However, the present $1.20 annual payment appears to be reasonably secure, and the stock appears to be suitable for purchase for holding for longer term speculative possibilities.

CUDAHY PACKING CO.

My broker tells me that Cudahy Packing common faces a bright outlook for 1931 because more stabilized commodity prices should allow larger profit margins on sales. What is your opinion? Do you advise averaging on 200 shares which cost me 61?—L. M. C., Traverse City, Mich.

Cudahy Packing Co., with over 90% of its business consisting of the production of meat and by-products, ranks as the fourth largest enterprise in the packing industry. The company also does a substantial business in soap, hides, wool, glue and fertilizer, probably best known of its by-products being "Old Dutch Cleanser." Distribution is accomplished through ten main plants and 100 branch sales offices located in the principal cities of the country, while transportation of products is facilitated by 1,700 refrigerator cars and 45 tank cars owned by the company. The management has been ever alert to changing conditions in the industry, which accounts for the relative stability of earning power in recent years. Despite lower prices received for products during the last fiscal year, with resultant decline in dollar sales volume, operating economies effected during the year permitted an increase in net income over that for the preceding twelve-month period. Annual report of the company dated November 1, 1930, revealed net earnings of $2,930,318, or $5.03 a common share, compared with $2,512,850 equal to $4.25 a share for the year ended November 1, 1929. During the course of the year, financial position was strengthened, current assets at the close of the fiscal period amounting to $34,026,845 with a noticeable reduction in inventories, as compared with current liabilities of $10,211,227, involving a halving of notes payable. The company's shares appear reasonably priced at current levels, but offer no particular inducement to average.

QUAKER OATS CO.

What is your attitude toward buying Quaker Oats common under 170? I have 100 shares at 242 but hesitate to average when this stock is still selling well over 20 times its 1930 earnings.—J. A. P., Jackson, Miss.

Ranking as one of the leaders in its field, Quaker Oats Co. manufactures a well-known line of cereals and allied products identified by the trade names of "Quaker Oats," "Puffed Rice," "Puffed Wheat," "Mother's Oats," "Aunt Jemima Pancake Flour," "Muffets" and "Quaker Crackels." During last year the company acquired Ota Company, a Danish corporation, engaged in the production and sale of packaged oats and rice in Denmark, thus broadening its foreign facilities already established in England, France, Germany and Sweden. Prior to last year earnings of the company, although somewhat irregular, have shown a tendency toward expansion. Lower commodity prices prevailing during 1930 necessitated a mark down of inventories, such losses accounting for the greater part of the decline in earnings registered during the year. Net income amounted to $6,003,860, equivalent, after preferred dividends, to $7.01 a share on 702,000 common shares outstanding, compared with $8,735,205 or $13.08 a share on 585,000 shares for the calendar year 1929. Financial position as of December 31, 1930, was highly satisfactory, current assets amounting to $32,996,854, of which $16,079,466 consisted of cash and securities, against current liabilities of $5,808,006, leaving net working capital of $27,188,848. The shares are of investment calibre, and we believe that moderate commitments made during periods of market weakness should prove a profitable holding.

TEXAS GULF SULPHUR CO.

Would you recommend the purchase of Texas Gulf Sulphur common at current levels? I understand this company will soon begin to benefit materially from spending around ten million dollars over the last few years for new construction.—R. A. W., Montgomery, Ala.

Due to an unsatisfactory second half year, profits of the Texas Gulf Sulphur Co., for the full year 1930 fell off about 14% from 1929 levels. Earnings in the first nine months of the year declined only 6% from the level for the corresponding period of 1929, but a poor final quarter brought down per share results for the full year to $5.50, against $6.40 in 1929. Domestic and foreign demand for sulphur was curtailed sharply in the final three months of 1930 but the longer term outlook remains favorable due to the essential nature of the company's product. Texas Gulf Sulphur controls the world's greatest known deposits of sulphur and is reported to be the lowest cost producer. Properties now controlled assure the company of reserves sufficient for operating for about 50 years. Approximately $10,000,000 has been expended in the past few years in developing the Boling Dome deposit which is owned by the Gulf Oil Corp. All profits of the deposit will go to Texas Gulf Sulphur until the entire expenditure has been returned after which earnings will be shared equally with Gulf Oil Corp. The shares are quoted at an attractive level in relation to earnings and we would favor moderate commitments since a yield of better than 7% is currently offered.

New Mass Distribution Must Rescue Mass Production

(Continued from page 682)

store as a whole, its greatest handicap is its tendency to restrict the range of selections by its customers—to dictate to them what they shall buy. The trend toward diversification and the adding of related lines must be recognized by the independent, for the underlying causes which are bringing it about in all fields of retailing apply just as much to the independent store as they do to the chain store. Independents must adapt themselves to the times as the consumer sees the times. Not even the New York *World*, built by Mr. Pulitzer into what must have seemed to him an impregnable position, could survive as the public slowly changed its views and the newspaper refused to change with it. Too many retailers, and too many banks, are like the *World*. Nine Chicago banks elected new presidents in January, and a good many more than nine big retail organizations will be electing new presidents before the imperative need to change can be carried out.

Problems facing the department stores, most of which are independents, are similar to those enumerated above, with additions. The variety chains have taken much staple business away from the department stores, throwing them more and more into the field of fashion merchandise with its considerably higher cost of doing business and its higher percentage of mark-downs. The spread between gross margin and operating expense has been dwindling

steadily since 1924 and is approaching the mythical. Here is the showing for department stores with sales volume of $1,000,000 and over, as developed by the Bureau of Business Research of Harvard University in co-operation with the National Retail Dry Goods Association:

	1924	1925	1926	1927	1928	1929
Gross Margin (Initial mark-up less subsequent markdowns)	32.1	32.2	32.6	33.1	33.2	33.0
Total Operating Expense (Including 6% return on invested capital, which is responsible for about 1.5% in each case)	30.1	29.9	30.3	31.4	31.7	32.0
Net Merchandising Profit (Add 1.5 to 2% for other income, including the above charge for interest on invested capital)	2.0	2.3	2.3	1.7	1.5	1.0
Stock-turns (times year) (Sales divided by average inventory at retail values)	3.5	3.7	3.7	3.7	3.9	4.0

In spite of the steady increase in expenses, 29 metropolitan stores in and around New York increased their newspaper lineage in January, 1931, by 4.4 per cent over January of 1930. During the year 1930, these stores used exactly the same number of lines of newspaper advertising as in 1929. A similar situation exists in Indianapolis, Minneapolis, Philadelphia and Pittsburgh, with regard to January lineage. Outside of those five cities, however, the department stores are using much less newspaper advertising than they did last year. Figures for 73 cities, including the five, show a curtailment in January, 1931, of 9.9 per cent.

Although department stores have not reduced existing salaries, they have made replacements at lower rates, have lopped off many unnecessary appendages even including a few relatives, which is the supreme test, and have reduced the total payroll in proportion to the drop in retail prices, so that with the lower dollar-volume the per cent of salaries and wages will be the same. They have made similar reductions in other expenses, except rent and fixed charges. They are operating this year on the theory that the present level of retail prices will be almost unchanged during 1931, so that dollar-volume for the same quantity of merchandise as in 1929 will be off about 15 per cent to 20 per cent, and as compared with 1930 the same quantity this year would represent 7½ per cent to 10 per cent less dollars, averaged over the year. (During the early months of the year the comparison is even greater, for half of the decline in *prices* last year came in the last quarter.) They intend to go after that 7½ per cent to 10 per cent with drives for increased volume, so that the total dollar-sales for the year 1931 can be the same as for 1930. If they succeed, and such an increase would be entirely consistent with past performance, they should show a substantial increase in earnings over 1930.

The road ahead, past 1931, is none too alluring, but it will look better when, and if, department store managements bring their stores into line with the growing demand, as outlined in the previous article, for dependable agencies of mass distribution by means of which mass production can find its way to a greater and greater number of consumers without the great increase in price which is inevitable today. The trouble with department stores today, as producers see them, is that they are sporadic, temperamental, hidebound in their insistence on a fairly fixed per cent of markup throughout the store regardless of departmental volume and varying rate of turnover—in short, that they cannot see their opportunity to become dependable distributors of large quantities at close markup.

No less an observer than E. A. Filene believes that the department store of the future must become a group of highly specialized departments, each a unit in a specialized chain of such "leased" departments operating in 50 to 100 department stores, in order that the department store may adapt itself to the demand for mass distribution.

An abnormally low inventory situation exists throughout the retail industry today. It accounts for the unusually favorable cash position which is so noticeable in all reports of the merchandising companies, and which so many of them emphasize as a factor in their favor. In part, this is a result of several years of hand-to-mouth buying in a determined attempt to increase the rate of turnover, and to that extent it is successful as shown by the table above.

With sales falling off rapidly throughout 1930, measured in dollars which is the only measuring stick that registers with retailers, purchases were restricted even more than usual. Then in the Fall came the sharp drop in retail price levels, and many retailers attempted to force the sale of merchandise which they already owned by curtailing selections. By the end of 1930, many stocks were unbalanced and were short of wanted merchandise to the ex-

tent that many sales were lost. Since the first of the year, this situation has been remedied and purchases from producers have been heavier than sales in many lines. The feeling is that replacement costs are at bottom, in most cases, and it is noticeable that silks and other fabrics are tending upward. There is reason to anticipate a shortage in desirable dress fabrics this Summer, at the present restricted rate of production. This factor of abnormally low inventories is destined to play a part in what may become a heavier than usual demand this Summer for manufactured commodities.

The mail-order houses have had a difficult time, and that is evident from their earnings statements. Apparel merchandise by mail would seem to be almost a thing of the past, like the flourishing buggy works of the '90's, and for the same reason—the automobile, and good roads. There is so little territory left in which a catalog can present apparel merchandise as attractively as can the nearest dress shop or department store, either of which is almost around the corner from anywhere now. The same is true of many other lines of merchandise, the outstanding exceptions being such specialties as camping goods, arms and sporting goods, heavy work clothes and underwear, tools, hardware and some building supplies.

The catalog business is more and more limited to those lines and those towns in which the retailers fail to observe the basic law of retailing and attempt to dictate to the consumer by reason of high prices or poor selections or inadequate display, or even the simple failure of not making their existence and facilities known to the prospective consumer.

The present tire situation is the result of the inexcusable blundering management of the tire manufacturing companies, which two of the mail-order houses were quick to capitalize and which has given them virtual control of the tire business for the moment. It is no exception to, and actually bears out, the principles outlined above. It would be hard to find a better example of a futile attempt to maintain fixed prices, through controlled dealers, than that exhibited by the rubber companies through most of 1930, even while they were manufacturing another product to compete with their own shackled dealers through competing stores and by mail at greatly reduced prices. It is typical of the dilemma in which fixed prices are these days.

The hope held out for the mail-order houses is to cease being mail-order houses by opening or taking over existing retail stores, which all of them are now doing. Sears, Roebuck, for in-

(Please turn to page 718)

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	30 Indus.	20 Rails	High	Low	Sales
Monday, March 2	85.32	184.38	106.95	169.00	163.04	3,319,175
Tuesday, March 3	85.33	183.76	107.13	165.20	161.82	2,896,540
Wednesday, March 4	85.26	180.96	104.40	163.41	159.33	3,076,867
Thursday, March 5	85.41	184.69	105.16	164.21	159.57	2,730,136
Friday, March 6	85.24	179.73	104.18	164.95	159.98	3,862,705
Saturday, March 7	85.31	183.85	105.29	163.81	160.78	1,555,620
Monday, March 9	85.32	185.38	105.36	165.80	162.78	2,851,005
Tuesday, March 10	85.39	183.63	105.37	166.76	163.72	3,249,610
Wednesday, March 11	85.33	181.91	103.47	164.70	161.33	2,294,330
Thursday, March 12	85.02	180.14	101.97	162.21	159.38	2,494,502
Friday, March 13	84.99	178.91	101.48	160.70	157.94	2,378,775
Saturday, March 14	84.98	180.78	101.83	161.45	159.71	1,108,520

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of March 12, 1931

Name and Dividend	1930 Price Range High	1930 Price Range Low	Recent Price
Aluminum Co. of Amer.	178	140½	156¼
Aluminum Pfd. (6)	109½	106¾	109½
Amer. Cyanamid "B"	12¾	7⅝	10⅛
Amer. Gas Elec. (1)	97½	70¼	79¾
Am. Lt. & Traction (2½)	54½	43	52
Amer. Superpower (.40)	18¾	9⅝	17⅛
Assoc. Gas Elec. "A" (2)	23½	17⅛	22¼
Brazilian Tr. L.&P. (8% stk.)	28½	21	26¾
Central States El. (10% stk.)	12⅛	9	11⅛
Cities Service (.30)	20¾	15	17½
Cities Service Pfd. (6)	84¾	79⅜	83½
Cleveland El. Ill. (1.60)	52½	48	52
Comwlth Edison (8)	256¾	221	246⅞
Consolidated Laundries (1)	15	10	14¼
Cord Corp.	11⅞	5⅞	9⅞
Cosden Oil	3¾	2⅛	2¼
Deere & Co. (1.20)	44¾	33½	38
Durant Motors	3	1¼	2
Elec. Bond Share (6-Stk.)	61	40	55⅝
Ford Motors of Can. A (1.20)	28⅞	21⅞	27¼
Ford Motors, Ltd. (.37½)	19⅞	14⅞	17⅝
Fox Theatre A	6⅛	4⅛	4⅞
General Baking	1⅝	½	½
General Baking Pfd. (3)	35	27	31½
Gen. El. Ltd rcts, Eng. (.70)	11⅝	10⅝	11
Glen Alden Coal (4)	60	44¼	44½
Goldman Sachs T.	10¼	5¼	8⅛
Gulf Oil (1.5)	75½	63¾	64⅞
Humble Oil (2½)	72	55⅛	55⅛
Hygrade Food Products	3⅞	2⅜	3⅛
Insull Invest. (6% Stk.)	49¼	29½	45⅝

Name and Dividend	1930 Price Range High	1930 Price Range Low	Recent Price
Insur. Securities Inc. (.70)	9⅛	6⅛	8⅜
Internat. Pet. (1)	15½	12⅛	12⅛
International Utilities B.	10⅞	5¼	9⅝
Lone Star Gas (new) (.88)	25	22½	22½
Mid. West Util. (8% Stk.)	25¼	17⅛	24¼
Mo-Kan-Pipe Line (10%)	11	5	10
National Fuel Gas (1)	26½	21	24⅜
New Jersey Zinc (8)	51	46¼	48
Niagara Hud. Pwr., A War.	3¼	1¾	3
Niagara Hud. Pwr., B War.	8½	5⅛	7⅛
Niagara Hudson Power (.40)	15½	9¼	15
Noranda Mines (7)	18⅝	14⅛	17¼
Novadel-Agene (4)	51⅜	38½	46¼
Pennroad Corp. (.20)	8½	6⅛	7
Pittsburgh Plate Glass (2)	42½	36	41½
St. Regis Paper (1)	21½	13¾	19½
Salt Creek Producers (2)	7¾	6⅛	6½
Stand. Oil of Ind. (2)	38½	31⅝	31⅞
Stand. Oil of Ky. (1½)	23⅝	20¾	22¾
Stand. Oil of Ohio (2½)	62½	49¾	53½
Stutz Motor Car	28	18½	27
Transcontinental Air Trans.	6¾	3⅝	5⅝
Trans Lux	11⅝	6⅝	10
Tubize Chatel "B"	16	3⅝	9
Ungerleider	29¾	21¼	28½
United Lt. & Pow. A (1)	34½	28	32
United L. & Pow. cv. Pfd. (6)	104½	94¾	103
United Gas Corp.	11⅞	7⅝	10⅛
Utility & Indus. Corp.	9¾	5¾	8⅞
Utility Pow. & Lt. (1.02½)	14½	9	12⅝
Vacuum Oil (4)	69⅝	52⅝	54¼

IN the face of considerable irregularity in the industrial issues on the New York Curb Exchange, the public utility group was conspicuously firm in this market, during the past fortnight. Lower earnings during the first quarter, unfavorable statements being published relative to 1930 operations, dividend reductions and threats of future changes in dividend disbursements were the principal factors that tended to unsettle the industrial list. Oil stocks, which are still an important section of the Curb market, were weak in sympathy with the securities of this industry in other markets. Lower crude prices, new flush production in the Southwest, competition in gasoline marketing are factors which will probably stand in the way of any immediate turn for the better in the oil industry and the securities of the Standard companies as well as the independents are reflecting these conditions.

From the standpoint of corporate earnings, the public utilities are fully warranted in their comparatively more favorable performance marketwise. In contrast to most other industries, the utility field has maintained its earning power strikingly well in the face of general business depression. With the adjournment of Congress, eliminating immediate danger of investigations which might unsettle the market for these issues, by impairing present rate structures or blocking consolidation plans, the utility securities stand out prominently in their bid for current investor attention.

The remarkable stability of utility earning power is reflected in the latest reports of *Electric Bond & Share*, the Curb Market's leading utility holding company. The net earnings of this company for the twelve months ended October 31, last, amounted to over 42 million dollars, equal to over $2.50 a share on the average number of shares outstanding during the period. For the calendar year 1929, the volume of net income was about 32½ million dollars, equal to per share earnings of slightly less than $2 on the number of shares then outstanding. Reports of principal subsidiary companies indicate that income for the calendar year 1930 will make a comparatively favorable showing.

Although highly sensitive to the market tendencies of the shares of its leading subsidiaries and paying dividends in stock instead of cash, the capital stock of Electric Bond & Share offers interesting long range possibilities at its current level.

(*Continued from page* 717)

stance, is reported to be on the lookout for going stores in lieu of opening new stores, because of the success which they had last year with the few going stores which they have taken over. They need experienced managements, and they need local good-will. Their stores are shy on style merchandise, but long on men's furnishings, home wares, hardware, tires and accessories. Going stores have demonstrated the wisdom of varying the merchandise stock according to the needs and competitive conditions of each community, as against standard departments. Ward sales for January-February are off 13.2 per cent. National-Bellas-Hess sales for the two months are off 11 per cent; their catalog business alone is off 13 per cent. A smaller Chicago mail-order house shows a decrease of 21 per cent in February. All of these, however, should be measured in terms of the lower retail *price*, which is now 12 per cent to 15 per cent lower than in January, 1930. They should be measured, too, in terms of department store sales for January, which were off 7 per cent for the United States, although the New York stores show a 6 per cent increase.

Consumer purchasing is increasing, and has been steadily upward since early Fall of 1930, when reserves in the hands of consumers became exhausted and buying was resumed. The reason it has not shown in retail sales is because comparisons have been made, in terms of dollar-sales, between periods in which the purchasing power of the dollar varied as much as 15 per cent.

We are convinced, from a study of all the available facts, that during the first six months of 1930 there was a greater restriction of consumer purchasing than occurred during the preceding Fall, because consumers were made aware of the seriousness of the economic situation and hoarded their money, using up accumulated reserves of goods before buying more. We are convinced, further, that with the precipitate drop in retail *prices* in the early Fall of 1930, consumer purchasing was resumed and has continued at a fairly normal pace since then. The department stores and general merchandise chains did only 1½ per cent less actual business in 1930 than in 1929 in spite of an 8½ per cent decrease in dollar-sales. With January sales off 7 per cent in the face of a 12 per cent difference in price levels, it would appear that January of 1931 is ahead of January, 1930, by about 5 per cent. We believe that January of 1930 was actually 5 per cent under this January in consumer purchasing, and that as much or a greater difference continued during the first half of 1930; so that if the year 1930 averaged 1½ per cent off, the Fall of 1930 must have been considerably above that figure to offset the losses of the first half. And the trend in retail buying is still upward which confirms our view of the outlook for merchandising securities expressed in Part I of this article.

March 15th Issue Just Off the press — Send your order today

The Magazine of Wall Street's Monthly

"Adjustable Stock Ratings"

Keep you posted on current developments and investment outlook for every New York Stock Exchange Security and important Curb Market Securities.

Published exclusively for yearly subscribers to The Magazine of Wall Street. If you are already a Magazine subscriber write at once for special offer that will enable you to have this guide every month. Newsstand readers can obtain this valuable guide by taking advantage of special offer below. Every investor needs the guidance of this valuable book—1931 profits depend on knowing the actual prospects for your company.—This book gives you the latest available facts every month.

OUR monthly "Adjustable Stock Ratings" will be of inestimable help to all subscribers to THE MAGAZINE OF WALL STREET in keeping up-to-date on all securities in which they may be interested and in checking changes in the outlook for securities previously purchased.

Now, more than ever with business turning the corner, you will want the guidance of THE MAGAZINE OF WALL STREET supplemented by our "Adjustable Stock Ratings" so that you can—

—Avoid companies not likely to recover.
—See at a glance any danger signals on previous purchases.
—Know what industries are progressing—which are declining.
—Know what companies offer the soundest profit possibilities.
—Have all the essential facts all the time.

Original Methods

Our Ratings show both the *outlook for the industry* and the *position of the security in that industry*, whether good or bad, enabling you at all times to have the expert advice of our experienced business and security analysts. *Before buying or selling any security consult these ratings.* Business conditions naturally change and our ratings for any particular stock may change at any time. Investors should check our ratings each month to see if a change has taken place in the outlook for their holdings.

Our Comments are changed frequently, keeping you up-to-the-minute on new developments likely to affect prices.

Our Conclusions are based on intensive analyses of the combined fundamentals for each security—*plus the current technical position and future outlook for the general market.*

Special Advantages

—Our numbered lines and special division markers enable you to follow each security across and get, at a glance, the essential data.

—For your convenience in quickly locating any Company, all the stocks, whether New York Stock Exchange or Curb, are arranged in one alphabetical list, marked with an "N" or "C."

—The Industry the Security Represents—and other special industrial activities are shown, as these are of prime importance in judging the future of a company.

Statistical Data:—You will find the important statistics so essential in judging and keeping track of your company—earnings—price range—dividend information—funded debt—shares outstanding—ticker symbols, *and latest interim earnings available.*

Assembled in concise form, this booklet gives you—at a glance—information absolutely necessary to every investor. These "Adjustable Stock Ratings," in combination with THE MAGAZINE OF WALL STREET, make an unequalled investment service that should enable you to keep your funds profitably placed in sound issues at all times.

Special Combination Offer

The Magazine of Wall Street—Rating Book—Valuable Investment Book—1931 Manual

For a limited time we offer THE MAGAZINE OF WALL STREET, including full consultation privileges of our Personal Service Department one year (regular price $7.50) and our Monthly "Adjustable Stock Rating" one year (regular price $2.50; sold only in combination with a year's subscription to THE MAGAZINE OF WALL STREET)—all for $9.00. If you are a subscriber now, the expiration date of your current subscription will be extended accordingly.

Mail This Coupon Today

The Magazine of Wall Street — **March 21st, R. B. 1931**
42 Broadway, New York, N. Y.

Enclosed is my check for $9.00. (Enter) (Extend) my subscription to The Magazine of Wall Street for one year (26 issues) including full privileges of your Personal Service Department and also send me the next 12 issues of your Monthly "Adjustable Stock Ratings" and your 1931 Manual to be published March 2. (If your order is received within ten days we will also send you our new book, "How to Invest for Income and Profit During 1931.")

Name .... **Address** ....

City .... **State** ....

Canadian Postage 50c additional per year; Foreign $1.00

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Adams Mills W. W. Pfd. (7)	93	..
Aeolian Co. Pfd. (7)	35	40
American Book Co. (7)	85	90
American Cigar Pfd. (6)	65	..
Amer. Dist. Teleg. (4)	78	83
Do Pfd. (7)	111½	113
Amer. Manufacturing (4)	25	33
Do Pfd. (5)	50	60
Amer. Meter Co. (3)	47	52
Babcock & Wilcox (7)	106	110
Bliss (E. W.) Co., 1st Pfd. (4)	56	..
Do Cl. B Pfd. (0.60)	9	..
Bohack (H. C.) Co. New 1st Do Pfd. (7)	103	108
Bon Ami, B (2)	..	35
Cleveland El. of Illum. Pfd. (6)	110	113
Congoleum Co. Pfd. (7)	99	..
Dictaphone (2)	23	28
Do Pfd. (8)	104	..
Crowell Publishing (3)	65	69
Do Pfd. (7)	103	110
Detroit & Canada Tunnel	3½	3¾
Dixon (Jos.) Crucible (8)	130	145
Dry Ice Holding	30	40
Fajardo Sugar	37	38½
Franklin Rwy. Sup. (4)	50	55
Gt. Atl. & Pac. Tea Pfd. (7)	119	121
Herring-Hall Safe	40	60
Howe Scale	6	8
Do Pfd.	26	28
Hudson River Nav.	1	3
Do Pfd.	35	50
Merck Co. Pfd. (4)	73	76
Metropolitan Chain Stores New Pfd.	8½	..
Murphy (G. C.) Pfd. (8)	95	110
National Casket (4)	90	100
Do Pfd. (7)	107	110
New Eng. Tel. & Tel. (8)	140	143
Newberry (J. J.) Pfd. (7)	88	95
Remington Arms 1st Pfd. (7)	82	86
Savannah Sugar (6)	70	75
Do Pfd. (7)	85	90
Scovill Mfg. (2)	36	38
Singer Mfg. Co. (12.50)	334	340
Smith, A. O. (2)	178	183
Standard Screw (8)	87	92
Smith-Corona T. (1)	17	18
United Porto Rican	6	9
Do Pfd. (3.50)	15	20
Wash. Ry. & Elec. (7)	420	..
Do Pfd. (5)	98½	100
Welch Grape Juice (1)	49	53
Do Pfd. (7)	99	..
West Va. Pulp & Paper (2)	32	35
Do Pfd. (6)	98	101
Wheeling Steel	29	33
Do Pfd. (8)	104	109
Do Pfd. B (10)	109	115
White Rock 2nd Pfd. (20)	210	..
Do 1st Pfd. (7)	102	107
Woodward Iron (4)	30	40

The Leaders and the Runners-Up

(*Continued from page* 693)

a share; many public utility companies were in difficulties some ten years or so ago, while there are countless industrials which have staged phenomenal "come-backs." In fact, so numerous are the examples of this record that a cursory examination indicates the possibility of making a profitable study in this field in order to ascertain the odds for and against the revival of a company once having encountered serious trouble. Even should it be found that prospects are against rejuvenation it still might be shown that there exists a profitable investment field if only the gains made in those which do manage to achieve revival are sufficiently great to offset them.

Although the leaders have shown to better advantage than their next most important competitors, it is not to say that this condition will necessarily obtain indefinitely in the future. There must after all be a limit to growth and despite the fact that "wolf, wolf" has been called many times in regard to the increasing size of the modern corporation, one cannot help but feel that the day may come when such a cry will be justified by an actual falling off in efficiency due to sheer size and attendant difficulties of proper co-ordination and direction. When this day dawns even though those likely to be adversely affected refrain from further dangerous expansion and manage to enter a period of level prosperity, it is the stockholder in the smaller company with its capacity to grow that will benefit most; and among the smaller companies where will a more logical successor to the money making champion be found than in the runner-up?

Cotton Textiles Emerge from the Shadows

(*Continued from page* 691)

side of the cotton textile picture has long been a favorable one. The market has steadily tended to grow with the increase in population in this country. The cloth consumed almost doubled in the past three decades. In 1899, the amount of cloth consumed was 4,281 million yards, while in 1929 a total of 8,200 million yards was consumed. Further analysis of consumption figures proves conclusively that cotton is *not* being displaced by changes in fashion so much as might be imagined, nor by the substitution of artificial fibres. If any effect can be attributed to the latter it is only that it has prevented cotton consumption from expanding even more than it did. The per capita consumption of cotton cloth in 1899 was 56 yards, 65 yards in 1909, 59 yards in 1921, and 64 yards per year for the three-year period ending December 31, 1930, although 1930 itself showed only 55 yards.

A correlation of the various trends inherent in the cotton textile industry points very strongly in the direction of favorable operations during 1931. First of all, the sharp drop in consumption in 1930 indicates an accumulation of demand which will probably make itself felt during the current year, all the more so because present prices are recognized as low. Raw cotton now selling around 11 cents per pound (midling upland) is lower in price than at any time since 1915 and is considerably below pre-war average. Whenever cotton reaches low levels periodically, there is a market tendency to buy cloth ahead of requirements. This was true in 1923 and again in 1927, and probably will repeat itself in 1931.

The long drawn-out period of readjustment in the cotton textile industry has naturally resulted in drastically deflated levels for most cotton goods securities. Fundamentally the industry appears in a much stronger position than at any time in the past decade, but sustained recovery is not necessarily a foregone conclusion. To place the industry on an ultimately profitable basis hinges on the continuation of the production control through concerted efforts inaugurated last year and on the maintenance of a fair margin between costs and selling price.

Commitments in cotton textile securities at the present time therefore would only be for the long pull with the view that a turn has already been made or is in prospect in the near future. Among the stronger companies in the group, Cannon Mills is an outstanding unit under excellent management. Pepperell Manufacturing Co. is another strong company which should benefit from continued improvement in the industry. Pacific Mills is one of the largest textile companies in the world, but its earnings record is more irregular than the two preceding companies. The drastic raw material decline last year was responsible for a deficit in the first half. Amoskeag Manufacturing Co. likewise has shown a checkered earnings record in recent years.

For Features to Appear in Coming Issues See Page 663

Specially Reduced Prices

on STANDARD BOOKS

Published by The MAGAZINE OF WALL STREET

The entire 11 books are uniform in size and style, profusely illustrated with charts, graphs and tables, replete with practical examples and suggestions. They are all richly bound in dark blue flexible fabrikoid, lettered in gold, and will make a handsome addition to any bookcase or library.

THESE eleven selected volumes completely cover every phase of modern security trading and investing. Written in a concise, easily understandable manner they give you the result of years of research and successful market operation—the foremost tried and proven methods and the important fundamental principles which you can apply to your individual needs and successfully determine *how, what* and *when to buy* and *when to sell.*

Whether you are an odd-lot buyer or deal in hundreds and thousands of shares—whether you are a long-pull investor or a day-to-day operator, you should read these books and have them for constant reference. They may easily make or save thousands of dollars for you—they should surely bring you a return of many times their moderate cost.

The prices quoted below are the lowest at which these books have ever been offered. Orders will be filled as they are received. We suggest, therefore, that you mail your order at once.

Library of Trading and Investment Fundamentals

No. 1. Fourteen Methods of Operating in the Stock Market.
No. 2. You and Your Broker.
No. 3. When to Sell to Assure Profits.
No. 4. Studies in Stock Speculation.

Famous Set by John Durand

No. 5. The New Technique of Uncovering Security Bargains.
No. 6. The Business of Trading in Stocks.
No. 7. How to Secure Continuous Security Profits in Modern Markets.

The Businessman-Investor's Library

No. 8. Financial Independence at Fifty.
No. 9. Necessary Business Economics for Successful Investment.
No. 10. Cardinal Investment Principles upon which Profits Depend.
No. 11. The Investor's Dictionary.

Individual Price of Each Book $2.25

When Sets of 2 or More Books Are Ordered. Each. $1.50

Special Offer

Complete Library of Entire 11 Books. $15.

CLIP OUT AND MAIL THIS COUPON TODAY

THE MAGAZINE OF WALL STREET,
42 Broadway, New York, N. Y.

PLEASE send me your Complete Library of 11 Standard Books on Security Trading and Investing.

☐ $15 Enclosed. ☐ C. O. D. $15.

Mar. 21-1931

All orders outside of the Continental U. S. A. must be accompanied by full remittance.

PLEASE send me books as listed above: Nos. 1-2-3-4-5-6-7-8-9-10-11. (Simply check books desired, remitting $2.25 if only one is ordered, or $1.50 each if sets of two or more books are ordered).

☐ $......Enclosed. ☐ C. O. D. $......

Name .... City ....

Address .... State ....

☐ **Please mail me without obligation descriptive circular on above books.**

Is There Enough Monetary Gold?

(*Continued from page 675*)

quality. As the Suffolk System was destroyed, our hard-won prestige of the seas was gradually lost.

In England one again found a constant of currency in that the pound sterling was of full gold cover until the world war when old England began to issue currency notes against her credit and from then to today, her export has diminished and she had lost to a great degree her place as world banker and world merchant. In this, the rise and fall of British trade has been quite like our own experience ascending as our currencies were stable and declining as they came to depart from their declared standards.

A Modern Example

At present, we can see very clearly the extension of Canadian influence into world trade accompanying the extension of her banking over the world, North, East, South and West. One has only to check the expansion of the Canadian Pacific R.R. Steamship Line to see how far her growth has gone in seaborne traffic. Particularly is this interesting when one comes to realize that the principle on which Canadian currencies are issued is identical with that on which the Suffolk Bank operated, the principle of daily clearance.

May one not venture the prophecy of a very great development in Canada over the next decade or two, quite like the development in the United States after the Civil War. It will be realized that Canada has resources to be developed, conditions far stabler than are to be found outside of America, and that investment may look for a greater return there than elsewhere with equal safety. Will not this lead her debtors to invest their balances in Canadian enterprises, as our debtors did to build our railroads, our telegraphs, our telephones and the other many things that grew to develop this country over the time we were a debtor nation?

It is to be remembered that while gold is the standard it is the only thing to be defined as money and then only when declared in fixed measure of weight and fineness. In this circumstances it bears a constant and exact relation to all other standards of measure of whatever kind.

As a principle of common honesty for the individual, to give false weight or false measure is maleficent. Is there any other ethical quality in an act of government that impairs the master standard of all others' money? Credit may not be transmuted into gold today any more than lead could through the past ages.

McKeesport Tin Plate Co.

(*Continued from page 695*)

parent company bent its energies toward attaining a greater output of plate. There appears to be danger only in following the present middle course and it is unlikely that a management as experienced and skilled as this one will continue in it after a decision becomes vital. In the meantime, always in a strategical position for negotiations, McKeesport's earnings will probably jog along comfortably and stockholders have little reason to fear the ultimate outcome.

American Power & Light Co.

(*Continued from page 689*)

The $6 is a straight preferred stock. The $5 preferred Series A, issued in connection with the above mentioned financing carries a graduated dividend which during 1931 is at the rate of $4 per annum but in 1932 will carry the full $5 dividend. The $5 preferred Series A stamped differs from the unstamped in that the stock is currently paying the full $5 rate, the difference being paid by a banking syndicate through a special arrangement. The $6 shares are outstanding in the amount of 792,955 shares, and 978,440 of both types of $5 class A shares.

Ahead of the preferred comes $45,810,300 6% Gold Debentures due 2016, and also $295,744,200 funded debt of subsidiaries, a total of 944,528 shares of subsidiary preferreds and 95,083 of subsidiary common shares. The holding company debentures and preferred represent sound fixed income investments of a diversified utility system, strongly intrenched as to earnings, and returning attractive yields at current prices.

The common stock of American Power & Light represents an attractive utility equity, holding considerable promise of growth in the future. Recent figures show that Electric Bond & Share Co. owns about 31% of these shares, having increased its holdings last year. At its recent price of 60, the stock is selling for approximately 18½ times its earnings on the basis of present stock, or about the average for utility equities. The present dividend rate is $1 in cash plus 1/25 of a share in stock annually, a rate which has been maintained for the last five years. These distributions are supplemented from time to time by extra stock dividends, the last one of 10% having been paid on December 1, 1930, and similar payments of 10% were made on December 1, 1929, and 1928 respectively. The stock on the basis of the regular payments yields about 5.7%, an attractive return for a sound utility equity of this caliber.

What's Wrong With the Oil Stocks?

(*Continued from page 679*)

depend too much on a solution of the industry's problems in this direction.

Invoking an Old Cure

Low crude oil prices, that is to say, prices lower than average production costs, may prove to be a more effective means of discouraging drilling activity at present than other measures. But if the industry is going to be forced to such a drastic expedient, it will make a deep and unfavorable impression on oil company earnings, at least for the first half of the current year. In any event, it is difficult to see any immediate prospect of a turn for the better; the question being rather one of how much worse the oil business is going to be before improvement sets in, or, how long drawn out the process of turning upward will prove to be.

Investors again are faced with a situation where improvement in the values of their holdings of petroleum securities can only be reasonably expected for the long pull. This is not a new story, in the sense that the oil industry has alternately offered favorable and disappointing prospects a good many times during the past few years. Underlying this series of changes, however, has been the basis factor of an overabundant supply of petroleum, both crude and refined products. It is pertinent to note, therefore, that in the present instance, the industry's immediate outlook is impaired by the same familiar situation. From the strictly financial standpoint, there remains one important factor to offset the uninviting investment prospects in oil securities at present, namely, the severe deflation in the market values of the representative oil stocks.

BUILDING AND LOAN ASSOCIATIONS

Bangor & Aroostook

(Continued from page 687)

tion already has been directed.

Bangor & Aroostook directors have pursued a conservative policy as to dividends. Although net income for the past 8 years has averaged $7.84 a share on common stock outstanding, the dividend on that issue has not been raised above $3.50 or 7% a share (par $50). Of the common there is outstanding $7,089,600 in addition to $3,480,000 preferred on which dividends at the rate of 7% a year are being paid. Distributions on the latter issue at that rate were begun in October, 1917, and have been maintained since.

The first dividend on the common was in 1904, during which year 3% was distributed. The rate varied considerably for some years. From July 1, 1924, to the same date in 1927 it was $3 or 6% a share, and from October, 1927, to date $3.50 or 7%. The common dividend has been earned by a handsome margin since 1921. In both 1929 and 1930 heavy pressure was brought upon the directors to increase the rate, but after careful consideration they decided not to make a change, although the earnings were equal to $9.26 a share for the latter year.

The potato crop of 48,000 cars for the year ended June 30, last was regarded by Bangor & Aroostook officials as abnormal. For the season ending June 30, 1931, they estimate it at from 35,000 to 36,000 cars. As the movement of the commodity has fallen off somewhat so far this year, and as other lines of freight traffic have shown moderate decreases also, it is doubted that the directors will seriously consider an increase in the common dividend until the general business situation is considerably better.

In 1929 Bangor & Aroostook common sold as high as 90⅝. The low in 1930 was 50⅛. At the present price of around 64 a share the common yields about 5.47% on the investment. It should be regarded as one of the best common stocks of a small railroad in the whole United States.

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.73	182.20	138.50	No	92	4.3
Union Pacific	4 (N)	46.32	49.48	41.30	No	86	4.7
Atchison, Top. & S. Fe	5 (N)	40.21	49.18	30.08	No	107	4.7
Baltimore & Ohio	4 (N)	49.44	48.87	36.46	No	80	5.0
Pere Marquette Prior	5 (C)	75.60	55.50	17.86	100	92	5.4
N. Y., New Haven & Hart.	7 (C)	34.40	45.47	30.50	115	119	5.9
Illinois Central Conv. A	6 (N)	66.28	70.98	49.82	115	100	6.0
Colorado & Southern 2nd	4 (N)	45.46	37.72	11.00	No	67	6.0
Southern Railway	5 (N)	32.11	30.21	15.21	100	80	6.3
N. Y., Chicago & St. Louis	6 (C)	17.68	20.49	12.20	110	92	6.5
Kansas City Southern	4 (N)	14.01	16.02	7.50	No	60	6.7
Colorado & Southern 1st	4 (N)	49.45	41.72	15.00	No	59	6.8
Chic., Rock Island & Pac. (5% Cum.)	6 (C)	23.60	25.14	13.60	102	87	6.9

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Public Service of New Jersey	8 (C)	§20.92	19.04	24.44	No	153	5.2
Philadelphia Co.	3 (C)	21.75	27.58	NF	No	56	5.4
So. California Edison "B"	1½ (C)	3.28	3.61	NF	28¾	27	5.6
North American Co.	3 (C)	40.22	47.48	47.51	55	54	5.6
Pacific Gas & Elec. 1st	1½ (C)	4.24	4.57	5.25	No	27	5.6
Columbia Gas & Electric "A"	6 (C)	30.78	33.95	26.86	110	107	5.6
Amer. Lt. & Traction	1½ (C)	17.20	21.38	20.71	No	27	5.6
Elec. Bond & Share	6 (C)	18.43	29.11	NF	110	107	5.6
North Amer. Edison	6 (C)	53.15	58.98	NF	105	105	5.7
American Water Works & El.	6 (C)	31.05	39.11	44.22	110	105	5.7
United Light & Power Conv.	6 (C)	....	15.42	NF	105	104	5.8
National Pr. & Lt.	6 (C)	45.38	50.22	45.16	110	102	5.9
United Corp.	3 (C)	....	4.66	6.46	55	51	5.9
Buffalo, Niagara & East'n Pr.	1.6 (C)	4.52	5.19	NF	26¼	27	5.9
Engineers Publ. Serv. (w.w.)	5½ (C)	8.79	17.65	16.21	110	90	6.1
Standard Gas & Electric	4 (C)	14.07	20.39	NF	No	63	6.4
Hudson & Man. R. R. Conv.	5 (N)	37.02	42.89	40.79	No	76	6.6
Electric Power & Light	7 (C)	17.00	19.03	NF	110	105	6.7
Federal Light & Traction	6 (C)	49.93	51.72	NF	100	90	6.7

Industrials

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
du Pont (E. I.) de Nemours deb.	6 (C)	69.06	78.54	55.22	125	122	4.9
Hershey Conv.	†5 (C)	16.25	21.36	NF	No	100	5.0
Aluminum Co. of Amer.	6 (C)	14.04	17.19	NF	110	109	5.5
Bethlehem Steel Corp.	7 (C)	19.16	42.24	23.84	No	123	5.7
Stand. Brands, Inc., Cum. A.	7 (C)	123.40	129.41	111.03	120	129	5.7
Mathieson Alkali Works	7 (C)	84.50	93.91	84.68	No	121	5.8
Brown Shoe	7 (C)	85.27	44.11	35.31	120	118	5.9
Curtis Publishing	7 (C)	21.48	23.93	21.25	120	118	5.9
General Cigar	7 (C)	62.81	85.92	64.03	No	114	6.1
General Mills	6 (C)	18.70	18.86	20.03	115	99	6.1
Bucyrus-Erie	7 (C)	39.34	48.31	NF	120	113	6.2
Case (J. I.) Thresh. Mach.	7 (C)	32.59	35.06	25.52	No	112	6.3
Commerc. Investm. Trust 1st.	6½ (C)	45.50	81.92	90.87	110	102	6.4
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	110	6.4
Deere & Co.	1.40 (C)	5.90	9.64	5.20	No	21	6.7
Crucible Steel	7 (C)	22.54	32.65	16.18	No	103	6.8
American Sugar	7 (C)	14.60	15.40	12.60	No	103	6.8
Crown Cork & Seal	2.70 (C)	7.90	6.36	NF	45	33	8.2

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. † Regular rate, $4. NF—No figures available.

Facts, News and Comments

Safford K. Colby, vice-president of the Aluminum Co. of America, and director of the advertising program which received from Harvard the Bok award as the outstanding national campaign of 1930 for a specific product, was among the speakers at the dinner and meeting of the Industrial Marketing Executives of New York at the Pennsylvania Hotel on Tuesday evening, March 17. His subject was "Product Development as an Approach to Markets."

* * *

Western Electric Co., Inc., states in its annual report that what is perhaps the most notable single advance in the improvement of the mechanism of sound motion pictures since the first commercially successful showing in 1926 was made during the past year through the perfection of the "Western Electric New Process Noiseless Recording." Electrical Research Products, Inc., a subsidiary of Western Electric, has installed sound reproducing equipment for talking motion pictures in more than 7,600 theatres throughout the world.

* * *

H. A. Lyons of the Bankers' Trust Co. has been elected president of the recently organized Financial Advertisers of New York. The organization has an initial membership of eighty men and women, all active in some phase of financial advertising.

* * *

Howard E. Cole, formerly first vice-president of the Standard Oil Co. of N. Y. and a director of that company as well as Chase National Bank, has agreed to serve on the board of directors of the United States Lines. He will be elected at the company's annual meeting in March together with Franklin D. Mooney, Robert L. Hague, Ira A. Campbell, and Edward N. Hurley.

* * *

E. L. Cord was re-elected chairman of the board at a recent meeting of the directors of the Lycoming Manufacturing Co. W. H. Beal was elected president and general manager to succeed J. H. McCormick, who resigned January 13, and Frank Bender was elected vice-president and assistant general manager.

FINANCIAL NOTICES

Meetings

The Borden Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Wednesday, April 15, 1931, at our registered office, 15 Exchange Place, Jersey City, N. J., at 10 o'clock A.M.

Only stockholders of record at the close of business on Tuesday, March 17, 1931, will be entitled to vote at said meeting notwithstanding any subsequent transfer of stock.

The stock transfer books will not be closed.

The Borden Company
WM. P. MARSH, *Secretary.*

SOUTHERN PACIFIC COMPANY
NOTICE OF MEETING.
165 Broadway,
New York, N. Y., January 2, 1931.

The Annual Meeting of the Stockholders of the Southern Pacific Company will be held at the office of this Company in Anchorage, Jefferson County, Kentucky, on Wednesday, April 8, 1931, at 12 o'clock noon, standard time, for the following purposes, viz.:

1. To elect fifteen Directors.
2. To transact all such other business as may legally come before the meeting, including the approval and ratification of all action of the Board of Directors and of the Executive Committee since the last annual meeting of the Stockholders of this Company.

For the purposes of the meeting, the books for the transfer of stock will be closed at 3 o'clock P. M., Monday, March 23, 1931, and will be reopened at 10 o'clock A. M., Thursday, April 9, 1931.

By order of the Board of Directors.
HUGH NEILL, Secretary.

Dividends and Interest

THE UNITED LIGHT AND POWER COMPANY

BANKERS BUILDING
CHICAGO, ILLINOIS

The Board of Directors of The United Light and Power Company has declared the following dividends on the stocks of the Company:

A quarterly dividend of $1.50 a share on the $6.00 Cumulative Convertible First Preferred Stock, payable April 1, 1931, to stockholders of record at the close of business on March 16, 1931.

A dividend of 25¢ a share on Class "A" and Class "B" Common Stocks, payable May 1, 1931, to stockholders of record at the close of business on April 15, 1931.

Stock transfer books will not be closed.

L. H. HEINKE, Secretary.

Chicago, March 3, 1931.

CLUETT, PEABODY & CO., INC.
PREFERRED STOCK DIVIDEND NO. 73

The Board of Directors has declared a quarterly dividend of $1.75 per share on the Preferred Stock of the Company payable April 1, 1931 to Stockholders of record at the close of business March 21, 1931. Checks will be mailed by the Irving Trust Company of New York.

D. A. GILLESPIE,
Treasurer.

Troy, N. Y.,
March 4, 1931.

MAGMA COPPER COMPANY
Dividend No. 38

A dividend of Fifty Cents per share has been declared on the stock of this Company payable April 15, 1931, to stockholders of record at the close of business on March 31, 1931.

H. E. DODGE, *Treasurer.*

Dated, March 5, 1931.

Dividends and Interest

Public Service Corporation of New Jersey

Dividend No. 95 on Common Stock
Dividend No. 49 on 8% Cumulative Preferred Stock
Dividend No. 33 on 7% Cumulative Preferred Stock
Dividend No. 11 on $5.00 Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share; at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; at the rate of $5.00 per annum on the non par value Cumulative Preferred Stock, being $1.25 per share, and 85 cents per share on the non par value Common Stock for the quarter ending March 31, 1931. All dividends are payable March 31, 1931, to stockholders of record at the close of business, March 2, 1931.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 27 on 7% Cumulative Preferred Stock
Dividend No. 25 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable March 31, 1931, to stockholders of record at the close of business, March 2, 1931.

T. W. Van Middlesworth, Treasurer.

Warren Brothers Company

PREFERRED STOCK DIVIDEND NO. 116

Dividends of Twenty-five Cents (25¢) per share on the First Preferred Stock and of Twenty-nine and one-sixth Cents (29 1/6¢) per share on the Second Preferred Stock of this Company have been declared for the quarter ending March 31, 1931, payable on April 1, 1931, to stockholders of record at the close of business on March 21, 1931.

CONVERTIBLE PREFERRED STOCK
DIVIDEND NO. 4

A dividend of Seventy-five Cents (75¢) per share on the Convertible Preferred Stock of this Company has been declared for the quarter ending March 31, 1931, payable on April 1, 1931, to stockholders of record at the close of business on March 21, 1931.

COMMON STOCK DIVIDEND

A quarterly dividend of Seventy-five Cents (75¢) per share has been declared on the Common stock of this Company payable on April 1, 1931, to stockholders of record at the close of business on March 21, 1931.

E. SUTCLIFFE, Treasurer.

The New York Central Railroad Co.

New York, March 11, 1931.

A Dividend of One Dollar & Fifty Cents ($1.50) per share on the capital stock of this Company has been declared payable May 1, 1931, at the office of the General Treasurer, to stockholders of record at the close of business March 27, 1931.

H. G. SNELLING, General Treasurer.

NEWMONT MINING CORPORATION

A dividend of $1.00 per share has been declared on the stock of this Corporation, payable April 15, 1931, to stockholders of record at the close of business on March 31, 1931.

Dated, March 3, 1931.
H. E. DODGE, *Treasurer.*

Dividends and Interest

Peoples Gas Dividend

The Peoples Gas Light and Coke Company (of Chicago)

The Directors of The Peoples Gas Light and Coke Company have declared a quarterly dividend of two (2) per cent on the capital stock of this Company, being at the rate of eight (8) per cent per annum, payable out of the surplus earnings of the Company to stockholders of record at the close of business on the 3rd day of April, 1931, said dividend to be payable on the 17th day of April, 1931.

A. L. TOSSELL, Secretary.

---

a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY

PREFERRED DIVIDEND No. 128
COMMON DIVIDEND No. 114

There have been this day declared a dividend of one and three-quarters percent (1¾%) on the Preferred Stock and a dividend of Seventy-five Cents (75¢) per share on the Common Stock without par value, of this Company, payable Wednesday, April 1, 1931, to stockholders of record at the close of business Tuesday, March 17, 1931.

Checks will be mailed to stockholders by the Guaranty Trust Company of New York.

G. R. SCANLAND, *Vice-President*
H. C. WICK, *Secretary*

New York, March 2, 1931.

The West Penn Electric Company

NOTICE OF DIVIDEND

The Board of Directors has declared a dividend of $1.75 per share upon the Class A Stock of The West Penn Electric Company, for the quarter ending March 30, 1931, payable on March 30, 1931, to stockholders of record at the close of business on March 17, 1931.

G. E. MURRIE, *Secretary.*

Endicott Johnson Corporation

Dividend No. 48

The Board of Directors has declared a quarterly Preferred Dividend of One Dollar Seventy-Five Cents ($1.75) per share, and a Common Dividend of One Dollar Twenty-Five Cents ($1.25) per share, payable April 1, 1931, to stockholders of record, as at the close of business, March 18, 1931.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

MAURICE E. PAGE, Secretary.

March 2, 1931.

FINANCIAL NOTICES

Market Reactions and Investment Opportunities

(*Continued from page* 669)

remove the price structure of the market still further away from its fundamental base of corporate earning power.

Closely related to the considerations above is the problem of sizing up the probable investment opportunities that would be presented in a recessionary movement of stock prices.

The scope of the advance so far this year, together with the enlarged volume of transactions and the character of the advance give the movement far more significance than merely an intermediatory rally in a bear market. An advance of thirty to thirty-five points in the various "averages"; enjoyed alike by practically every major group in the list; participated in by both the market "leaders" and the "secondary" stocks; confirmed by the rail and the utility group; such a movement may reasonably be taken at its face value as indicating a change in the major trend of the market following its extended decline since the Fall of 1929.

From the standpoint of the longer range investment buyer of stocks, the only really important factor that has been conspicuous in its absence from the financial outlook so far in the current year has been some tangible proof that business has entirely passed through the depression cyle. It is quite likely on the other hand that the more positive indications of such a transition will not be available in convincing form until a definitely rising market is well under way. In this difficult period at hand, in which the market is in the process of starting a new and more favorable price cycle, the prospective buyer of stocks for long range holding would be well advised to look only to substantial market reactions to make commitments, and even then great haste is unnecessary. There is no immediate danger of the market running away.

Aside from the market and business situation, there are important factors which make investment conditions far more favorable than last year. The money markets clearly evidence an abundance of capital which sooner or later must find longer range mediums of employment than it is seeking at the present time. Confidence in the ultimate recovery of American business means confidence in the ultimate recovery of stock prices, irrespective of intermediate price swings. The most important "weak links" in the nation's banking system have been eliminated by the severe strain to which it was subjected last year. Pending the more obvious phases of the business recovery, therefore, the financial outlook suggests the ultimate advantage of buying good stocks which have been thoroughly deflated with a portion of one's investment capital during market recessions which materialize from this point.

Trade Tendencies

(*Continued from page* 702)

ers, a greater detrimental effect on orders actually booked has been caused than is really warranted by the potential demand. The automobile industry, pipe manufacturers and perhaps shipbuilding still constitute the bright spots in the outlook for steel although it is admitted that much of this business is seasonal and that ingot production for the country as a whole is unlikely to exceed by any large margin a peak of 60% of theoretical capacity during the first six months of the current year.

For Features to Appear in the Next Issue See Page 663


CAMEL
TURKISH & DOMESTIC BLEND CIGARETTES
CHOICE QUALITY

Tobacco
m, N. C.